

Investors should not base investment decisions on this content alone. Please refer to the Prospectus for details including product features and the risk factors. Investment involves risks. Past performance is not indicative of future performance. There is no guarantee of the repayment of the principal. Investors should note:

- **Global X Asia Semiconductor ETF**'s (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Semiconductor industry may be affected by particular economic or market events, such as domestic and international competition pressures, rapid obsolescence of products, the economic performance of the customers of semiconductor companies and capital equipment expenditures. These companies rely on significant spending on research and development that may cause the value of securities of all companies within this sector of the market to deteriorate.
- Some Asian securities exchanges (including Mainland China) may have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. Some Asian markets may have higher entry barrier for investments as identification number or certificate may have to be obtained for securities trading. All these may have a negative impact on the Fund.
- The Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk, currency devaluation, inflation and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Semiconductor ETF**'s (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Semiconductor industry may be affected by particular economic or market events, such as domestic and international competition pressures, rapid obsolescence of products, the economic performance of the customers of semiconductor companies and capital equipment expenditures. These companies rely on significant spending on research and development that may cause the value of securities of all companies within this sector of the market to deteriorate.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
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- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Robotics and AI ETF**'s (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Robotics and artificial intelligence sector is sensitive to risks including small or limited markets for such securities, changes in business cycles, world economic growth, technological progress, rapid obsolescence, and government regulation. These companies rely on significant spending on research and development and tend to be more volatile than securities of companies that do not rely heavily on technology.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Electric Vehicle and Battery ETF**'s (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Electric vehicle companies invest heavily in research and development which may not necessarily lead to commercially successful products. In addition, the prospects of Electric vehicle companies may significantly be impacted by technological changes, changing governmental regulations and intense competition from competitors.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund.
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- **Global X China Clean Energy ETF**'s (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Many clean energy companies are involved in the development and commercialization of new technologies, which may be subject to delays resulting from budget constraints and technological difficulties. Obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants and general economic conditions also significantly affect the clean energy sector.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.

- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
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- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Consumer Brand ETF's** (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- The performance of companies in the consumer sector are correlated to the growth rate of the global market, individual income levels and their impact on levels of domestic consumer spending in the global markets, which in turn depend on the worldwide economic conditions, which have recently deteriorated significantly in many countries and regions and may remain depressed for the foreseeable future.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Cloud Computing ETF's** (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- Companies in the internet sector may face unpredictable changes in growth rates and competition for the services of qualified personnel. The products and services offered by internet companies generally incorporate complex software, which may contain errors, bugs or vulnerabilities.
- China is an emerging market. The Fund invests in Chinese companies which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risk, currency risks, political risk, legal and taxation risks, and the likelihood of a high degree of volatility.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X Hang Seng High Dividend Yield ETF's** (the "Fund's") investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer specific factors.
- There is no assurance that dividends will be declared and paid in respect of the securities comprising the Hang Seng High Dividend Yield Index (the "Index"). Dividend payment rates in respect of such securities will depend on the performance of the companies or REITs of the constituent securities of the Index as well as factors beyond the control of the Manager including but not limited to, the dividend distribution policy of these companies or REITs.
- Whether or not distributions will be made by the Fund is at the discretion of the Manager taking into account various factors and its own distribution policy. There can be no assurance that the distribution yield of the Fund is the same as that of the Index.
- The Manager may at its discretion pay dividend out of the capital or gross income of the fund. Payment of dividends out of capital to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- **Global X China Little Giant ETF's** (the "Fund's") objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the Solactive China Little Giant Index (the "Index").
- The Index is a new index. The Index has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Fund may invest in small and/or mid-capitalisation companies which may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.
- The Fund's investments are concentrated in companies which are characterised by relatively higher volatility in price performance. The Sub-Fund may be exposed to risks associated with different sectors and themes including semiconductor, industrial, pharmaceutical, energy and technology. Fluctuations in the business for companies in these sectors or themes will have an adverse impact on the net asset value of the Sub-Fund.
- Some of the companies classified as the Little Giants have a relatively short operating history. Such companies also face intense competition and rapid changes could render the products and services offered by these companies obsolete, which may have an adverse effect on profit margins.
- They may be more susceptible to risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences affecting those companies.
- The Mainland China is an emerging market. The Fund invests in Mainland Chinese companies which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risk, currency risks or control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.
- Securities exchanges in the Mainland Chinese markets typically have the right to suspend or limit trading in any security traded on the relevant exchange. The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.
- Listed companies on the ChiNext market and/or STAR Board are subject to higher fluctuation on stock prices and liquidity risk, over-valuation risk, less stringent regulation risk, delisting risk and concentration risk.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests.
- The Fund's synthetic replication strategy will involve investing up to 50% of its net asset value in financial derivative instruments ("FDIs"), mainly funded total return swap transaction(s) through one or more counterparty(ies). Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Fund.

- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Fund's Net Asset Value.
- Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- **Global X Japan Global Leaders ETF** (the "Fund") seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the FactSet Japan Global Leaders Index (the "Index").
- The Index is a new index. The Index has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Index is reconstituted annually. Eligible securities are added into the Index as constituents during the next scheduled annual reconstitution. Similarly, securities that no longer meet the eligibility criteria of the Index may continue to remain in the Index until the next scheduled annual reconstitution, at which point they may be removed. There is no guarantee that the representativeness of the Index is optimised from time to time.
- The Fund's investments are concentrated in securities in Japan. The Fund's value may be more volatile than that of a fund with a more diverse portfolio. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Japanese market.
- The Japanese economy is heavily dependent on international trade and may be adversely affected by protectionist measures, competition from emerging economies, political tensions with its trading partners and their economic conditions, natural disasters and commodity prices. Further, the TSE or JASDAQ has the right to suspend trading in any security traded thereon. The Japanese government or the regulators in Japan may also implement policies that may affect the Japanese financial markets.
- The base currency of the Fund is JPY but the trading currency of the Fund is in HKD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- The Index Calculation Agent calculates and maintains the Index. If the Index Calculation Agent ceases to act as index calculation agent in respect of the Index, the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. There is a risk that the operations of the Index may be disrupted which may adversely affect the operations and performance of the Fund.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests.
- The trading price of the Units on the Stock Exchange of Hong Kong is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the Fund's Net Asset Value.
- Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit of the Fund and will reduce the capital available for future investment.
- **Global X India Select Top 10 ETF** (the "Fund") seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Mirae Asset India Select Top 10 Index (the "Underlying Index").
- The Underlying Index is a new index. The Underlying Index has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Underlying Index. The Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history. The Underlying Index is an equal weighted index whereby the Underlying Index constituents will have the same weighting at each rebalancing (but not between each rebalancing) regardless of its size or market capitalisation based on the methodology of the Underlying Index.
- The Fund is a FPI registered with the SEBI. The applicable laws, rules and guidelines on FPI impose limits on the ability of FPI to acquire shares in certain Indian issuers from time to time and are subject to change. This may also adversely affect the performance of the Fund. The FPI status of the Fund may be revoked by the SEBI under certain circumstances. In the event the Fund's registration as a FPI is cancelled, revoked, terminated or not renewed, this would adversely impact the ability of the Fund to make further investments, or to hold and dispose of existing investment in Indian securities. The Fund may be required to liquidate all holdings in Indian securities acquired by the Fund as a FPI. Such liquidation may have to be undertaken at a substantial discount and the Fund may suffer significant/substantial losses.
- The Fund's investments are concentrated in securities in India. The Fund's value may be more volatile than that of a fund with a more diverse portfolio. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Indian market.
- The Fund's investments are concentrated in companies in various sectors and themes including communication services, information technology, financials, health care, consumer staples and consumer discretionary, industrials and energy. Fluctuations in the business for companies in these sectors or themes will have an adverse impact on the Net Asset Value of the Fund.
- The number of constituents of the Underlying Index is fixed at 10. The Fund by tracking the Underlying Index may have a more concentrated investment portfolio than it would have held if tracking an index with a higher number of constituents, leading to higher risks of volatility.
- High market volatility and potential settlement difficulties in the equity market in India may result in significant fluctuations in the prices of the securities traded on such market and thereby may adversely affect the value of the Fund. The BSE has the right to suspend trading in any security traded thereon. The Indian government or the regulators in India may also implement policies that may affect the Indian financial markets. There may also be difficulty in obtaining information on Indian companies as disclosure and regulatory standards in India are less stringent than those of developed countries.
- The taxation of income and capital gains in India is subject to the fiscal law of India. The tax rate in respect of capital gains derived by a FPI on transfer of securities will vary depending upon various factors. Any increased tax liabilities on the Fund may adversely affect the Net Asset Value of the Fund. Any shortfall between the provision and the actual tax liabilities, which will be debited from the assets of the Fund, will adversely affect its Net Asset Value. For details, please refer to the section headed "Taxation in India" in the Prospectus.
- Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. In addition, the base currency of the Fund is USD but the trading currency of the Fund is in HKD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests.
- The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the Fund's Net Asset Value.
- Payments of distributions out of capital and/or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions involving payment of dividends out of capital or effectively out of capital of the Fund may result in an immediate reduction in the Net Asset Value per Unit of the Fund and will reduce the capital available for future investment.
- The investment objective of **Global X K-pop and Culture ETF** (the "Fund") is to provide investment results that, before fees and expenses, closely correspond to the performance of the Solactive K-pop and Culture Index (the "Index").
- The Index is a new index. The Index has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Index. The Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Fund is subject to concentration risk as a result of tracking the performance of a single geographical region or country (South Korea). The Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in South Korea. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the South Korean market.
- The Fund's investments are concentrated in companies in various industries and sectors including entertainment, communication services, internet, gaming, consumer staples, consumer discretionary as well as food. The business performance of these industries or sectors are subject to a wide range of risks. Fluctuations in the business for companies in these industries or sectors will have an adverse impact on the Net Asset Value of the Fund.
- The Fund may invest in small and/or mid-capitalisation companies. The stock of small-capitalisation and mid-capitalisation companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

- Underlying investments of the Fund may be denominated in currencies other than the base currency of the Fund. In addition, the base currency of the Fund is KRW but the trading currency of the Fund is in HKD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund.
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Fund's Net Asset Value.
- Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- **Global X HSI Components Covered Call Active ETF** (the "Fund") aims to generate income by primarily investing in constituent equity securities in the Hang Seng Index (the "Reference Index" or the "HSI") and selling (i.e. "writing") call options on the Reference Index to receive payments of money from the purchaser of call options (i.e. "premium").
- The objective of adopting a covered call strategy is to generate income and reduce potential loss against the downward market. Each time the Fund writes a HSI Call Option, the Fund receives a premium. If the value of the securities relating to the Reference Index held by the Fund declines, the premium that the Fund received for writing the HSI Call Option may reduce such loss to some extent. However, the downside of adopting a covered call strategy is that the Fund's opportunity to profit from an increase in the level of the Reference Index is limited to the strike price of the HSI Call Options written, plus the premium received.
- The Fund is an ETF which adopts a covered call strategy by (i) investing in constituent equity securities in the Reference Index and the HSI ETF and long positions of HSI Futures, and (ii) writing call options on the Reference Index. The Fund is one of the first covered call ETFs in Hong Kong. Such novelty makes the Fund riskier than traditional ETFs investing in equity securities.
- The Fund employs an actively managed investment strategy. In addition to seeking to obtain exposure to the constituent equity securities in the Reference Index in substantially the same weightings as these securities have in the Reference Index through investing directly in constituent equity securities of the Reference Index and HSI ETF and long positions of HSI Futures, the Fund also writes call options on the Reference Index. The Fund may fail to meet its objective as a result of the implementation of investment process which may cause the Fund to underperform as compared to direct investments in the constituent equity securities of the Reference Index.
- The market value of a HSI Call Option may be affected by an array of factors including but not limited to supply and demand, interest rates, the current market price of the Reference Index in relation to the strike price of the HSI Call Options, the actual or perceived volatility of the Reference Index and the time remaining until the expiration date. The Fund's ability to utilise HSI Call Options successfully will depend on the ability of the Manager to correctly predict future price fluctuations, which cannot be assured and are subject to market behaviour or unexpected events.
- If a HSI Call Option expires and if there is a decline in the market value of the Reference Index during the option period, the premiums received by the Fund from writing the HSI Call Options may not be sufficient to offset the loss realised.
- The Fund may write HSI Call Options over an exchange or in the OTC market. The HSI Call Options in the OTC markets may not be as liquid as exchange-listed options. There may be a limited number of counterparties which are willing to enter into HSI Call Options as purchasers or the Fund may find the terms of such counterparties to be less favorable than the terms available for listed options. Moreover, the SEHK may suspend the trading of options in volatile markets. If trading is suspended, the Fund may not be able to write HSI Call Options at times that may be desirable or advantageous to do so.
- The use of futures contracts involves risks that are potentially greater than the risks of investing directly in securities and other more traditional assets. The risks include but not limited to market risk, volatility risk, leverage risk and negative roll yields and "contango" risk.
- Investing in HSI Futures and writing HSI Call Options generally involve the posting of margin. Additional funds may need to be posted as margin to meet margin calls based upon daily marking to market of the HSI Futures and the HSI Call Options. Increases in the amount of margin or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin calls. If the Fund is unable to meet its investment objective as a result of margin requirements imposed by the HKFE, the Fund may experience significant losses.
- HSI Futures and HSI Call Options are registered, cleared and guaranteed by the HKFE Clearing Corporation. In the event of the bankruptcy of the clearing house, the Fund could be exposed to a risk of loss with respect to its assets that are posted as margin.
- To the extent that the constituent securities of the Reference Index are concentrated in Hong Kong listed securities of a particular sector or market, the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse conditions in such particular market/sector.
- The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund.
- The base currency of the Fund is HKD but the class currencies of the Shares are in HKD, RMB and USD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- The trading price of the Fund unit (the "Unit") on the SEHK is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- **Global X HSCEI Components Covered Call Active ETF** (the "Fund") aims to generate income by primarily investing in constituent equity securities in the Hang Seng China Enterprises Index (the "Reference Index" or the "HSCEI") and selling (i.e. "writing") call options on the Reference Index to receive payments of money from the purchaser of call options (i.e. "premium").
- The objective of adopting a covered call strategy is to generate income and reduce potential loss against the downward market. Each time the Fund writes a HSCEI Call Option, the Fund receives a premium. If the value of the securities relating to the Reference Index held by the Fund declines, the premium that the Fund received for writing the HSCEI Call Option may reduce such loss to some extent. However, the downside of adopting a covered call strategy is that the Fund's opportunity to profit from an increase in the level of the Reference Index is limited to the strike price of the HSCEI Call Options written, plus the premium received.
- The Fund is an ETF which adopts a covered call strategy by (i) investing in constituent equity securities in the Reference Index and the HSCEI ETF and long positions of HSCEI Futures, and (ii) writing call options on the Reference Index. The Fund is one of the first covered call ETFs in Hong Kong. Such novelty makes the Fund riskier than traditional ETFs investing in equity securities.
- The Fund employs an actively managed investment strategy. In addition to seeking to obtain exposure to the constituent equity securities in the Reference Index in substantially the same weightings as these securities have in the Reference Index through investing directly in constituent equity securities of the Reference Index and HSCEI ETF and long positions of HSCEI Futures, the Fund also writes call options on the Reference Index. The Fund may fail to meet its objective as a result of the implementation of investment process which may cause the Fund to underperform as compared to direct investments in the constituent equity securities of the Reference Index.
- The market value of a HSCEI Call Option may be affected by an array of factors including but not limited to supply and demand, interest rates, the current market price of the Reference Index in relation to the strike price of the HSCEI Call Options, the actual or perceived volatility of the Reference Index and the time remaining until the expiration date. The Fund's ability to utilise HSCEI Call Options successfully will depend on the ability of the Manager to correctly predict future price fluctuations, which cannot be assured and are subject to market behaviour or unexpected events.
- If a HSCEI Call Option expires and if there is a decline in the market value of the Reference Index during the option period, the premiums received by the Fund from writing the HSCEI Call Options may not be sufficient to offset the loss realised.
- The Fund may write HSCEI Call Options over an exchange or in the OTC market. The HSCEI Call Options in the OTC markets may not be as liquid as exchange-listed options. There may be a limited number of counterparties which are willing to enter into HSCEI Call Options as purchasers or the Fund may find the terms of such counterparties to be less favorable than the terms available for listed options. Moreover, the SEHK may suspend the trading of options in volatile markets. If trading is suspended, the Fund may not be able to write HSCEI Call Options at times that may be desirable or advantageous to do so.
- The use of futures contracts involves risks that are potentially greater than the risks of investing directly in securities and other more traditional assets. The risks include but not limited to market risk, volatility risk, leverage risk and negative roll yields and "contango" risk.
- Investing in HSCEI Futures and writing HSCEI Call Options generally involve the posting of margin. Additional funds may need to be posted as margin to meet margin calls based upon daily marking to market of the HSCEI Futures and the HSCEI Call Options. Increases in the amount of margin or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin calls. If the Fund is unable to meet its investment objective as a result of margin requirements imposed by the HKFE, the Fund may experience significant losses.

- HSCEI Futures and HSCEI Call Options are registered, cleared and guaranteed by the HKFE Clearing Corporation. In the event of the bankruptcy of the clearing house, the Fund could be exposed to a risk of loss with respect to its assets that are posted as margin.
- The Fund is subject to concentration risk as a result of tracking the performance of a single geographical region or country (Mainland China). The Fund may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations resulting from adverse conditions in Mainland China. In addition, to the extent that the constituent securities of the Reference Index are concentrated in Hong Kong listed Mainland securities of a particular sector or market, the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse conditions in such particular market/sector.
- The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund.
- The base currency of the Fund is HKD but the class currencies of the Shares are in HKD, RMB and USD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- Payments of distributions out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- The trading price of the Fund unit (the "Unit") on the SEHK is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.



## Global X Asia Semiconductor ETF (3119 HKD) Global X China Semiconductor ETF (3191 HKD)

### Industry Update

- **Asia supply chain to benefit from upward CAPEX revision in key US hyperscaler on stronger AI investment:** Meta increased the full-year CAPEX guide to 35-40bn USD from 30-37bn USD to accelerate infrastructure investment for AI. Microsoft's March quarter CAPEX came in at 14bn vs street at 13bn.<sup>1</sup> Management expects capital expenditures to increase materially on a sequential basis, driven by cloud and AI infrastructure investments.<sup>2</sup> Higher than expected growth in Azure (+31% YoY vs guide 28%) supports the thesis for CAPEX sustainability. Google 1Q CAPEX was 12bn, management guided a similar or higher level for the next 3 quarters of the year. (vs street at around 10bn per quarter CAPEX run rate)<sup>3</sup> (Nvidia 2024).
- **Asia semiconductor supply chain is well positioned to benefit from increasing AI investment.** Majority of the AI supply chain from chip level to server and rack level is located in Asia. TSMC is the foundry partner for most AI GPU and ASIC projects, while SK Hynix is the major supplier in HBM (high bandwidth memory) for AI chips.
- **SK Hynix announced strong 1Q results:** SK Hynix posted revenue of W12.4tr and operating profit of W2.9tr, above the latest consensus estimates of W2.2tr profit. The solid result was supported by sequential improvement in both DRAM and NAND price, with NAND price up over 30% QoQ in 1Q24.

### Stock Comments

- **SG Micro (+19.44%):** SG Micro's 1Q24 GM was a surprise at 52.5%, vs 47.2% in 4Q23 thanks to better product mix and continuing recovery in consuming electronics sector. Market turn more positive on the analog cycle as TI cut production amid elevated in-house inventory and pricing stabilize across the market.
- **Montage Technology (+9.58%):** 1Q24 revenue surged 76% YoY to Rmb737mn and net profit expanded to Rmb223mn (vs. Rmb20mn in 1Q23), both are in-line with profit alert. DDR4 RCD shipment recovered in 1Q24 after downstream inventory normalization from 4Q23, with DDR5 RCD shipment accounting for c.40% of total RCD shipment, reflecting recovering downstream demand.

### Preview

Increasing AI adoption in the datacenter and increasing penetration of AI at the edge and on-device will be the key enabler of next upcycle semiconductor as AI enabled devices have much higher semi content. Currently we are still in the process of cycle recovery as both stocks and earnings are below previous peak. We expect volume growth in end device to drive broad based semiconductor cycle recovery in 2024. <sup>4</sup>

<sup>1</sup> Bloomberg, April 2024

<sup>2</sup> Microsoft, April 2024

<sup>3</sup> Bloomberg, April 2024

<sup>4</sup> Mirae Asset, May 2024



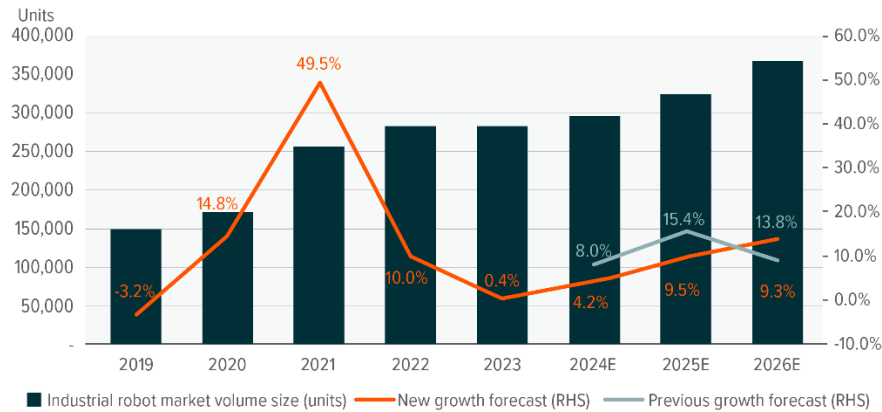
# Global X China Robotics and AI ETF (2807 HKD/9807 USD)

## Industry Update

- China industrial robotics sales volume grew by 4.8% in 1Q24.<sup>5</sup> Robot demand from the home appliance, 3C and auto electrics segments grew by 9%+, but declined for lithium battery and photovoltaic (PV) robotics. FANUC, Estun, Inovance and KUKA remained top-4 suppliers, while for the first time there are 2 domestic suppliers in the top 4.<sup>6</sup>

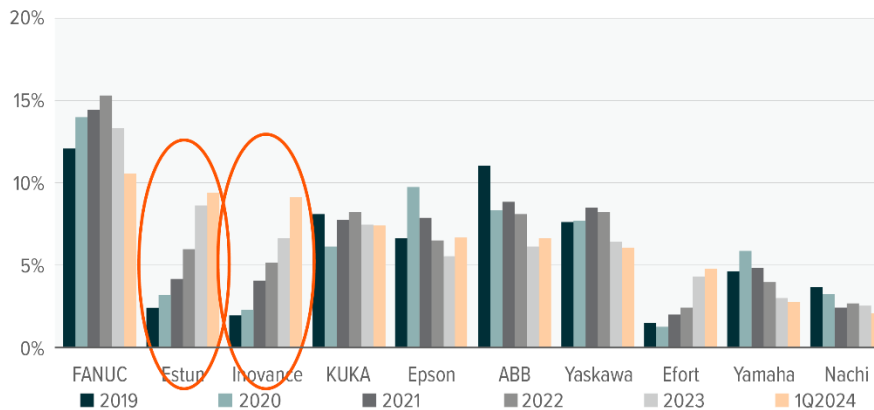
### CHINA INDUSTRIAL ROBOT MARKET FORECASTS

Source: MIR, May 2024.



### INDUSTRIAL ROBOT MANUFACTURERS, CHINA MARKET SHARE, 2019-1Q2024

Source: MIR, May 2024.



## Stock Comments

### Key Contributors:

- **Zhongji Innolight (300308 CH):** 1Q24 net income surged 304% YoY to Rmb1.0bn, 29% above street, thanks to strong 164% YoY revenue growth to Rmb4.8bn(26% ahead of street consensus)<sup>7</sup>, and 3.2ppts YoY(-2.6ppts QoQ) gross margin expansion in 1Q24 to 32.8%. During earnings call, management expected 800G ramp to accelerate sequentially and QoQ margin expansion ahead on better product mix, higher yield and cost-down.<sup>8</sup>
- **Montage Technology (688008 CH):** 1Q24 revenue surged 76% YoY to Rmb737mn and net profit expanded to Rmb223mn (vs. Rmb20mn in 1Q23), both are in-line with profit alert. DDR4 RCD shipment recovered in 1Q24 after downstream inventory normalization from 4Q23, with DDR5 RCD shipment accounting for c.40% of total RCD shipment, reflecting recovering downstream demand.

<sup>5</sup> MIR, May 2024

<sup>6</sup> Macquarie, May 2024

<sup>7</sup> Bloomberg, April 2024

<sup>8</sup> Zhongji Innolight, April 2024

**Key Detractors:**

- **iFlytek (002230 CH):** Share price has been weak for the month as market remains concerned on 1Q24 results of the company with elevated operating loss. iFlytek's 1Q24 revenue rose 26% YoY, but net loss reached the record-high level of RMB300mn, mainly due to gross margin contraction of government-related business. Since the launch of iFlytek LLM Spark in May 2023, the Company has received positive feedback from consumers, especially on products such as learning pad with 99% YoY rev. growth for learning pad in 1Q. In addition, SOEs show strong interest in AI application and monetization is on the way. However, tight government budget and continuing investment are short-term headwinds, and AI revenue contribution is relatively small and cannot offset the negative impact.

**Preview**

We anticipate industrial robot demand in China remain positive growing in 2024 (vs 2023: +0.4%),<sup>9</sup> driven by broad downstream applications and governmental stimulus in manufacturing equipment renewals. Domestic players (e.g. Estun and Inovance) continued to gain market share, though there could be back and forth looking ahead.

For AI, leading software and internet companies have been investing in hardware and talents to drive continuous upgrade of their large language models, e.g. SenseTime released its new LLM SenseNova 5.0 LLM, which receives high market attention. New AI start-up like Moonshot has been developing LLMs that can handle long inputs of text and data, has raised over \$1 billion in a Series B round from investors including Alibaba and Meituan<sup>10</sup>. Overall, we remain optimistic about AI monetization in China, whereas near-term process of monetization in different industries will be key to drive software companies' stock price.

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<sup>9</sup> Mirae Asset, May 2024

<sup>10</sup> 36 Kr, February 2024





## Global X China Electric Vehicle and Battery ETF (2845 HKD)

### Industry Update:

- **Solid April EV sales; EV penetration on the rise:** According to CPCA estimates, April passenger NEV retail sales reached 720k, +37% YoY.<sup>11</sup> Based on the announcements of individual auto brands, BYD reported April NEV sales of 312k units, +49% YoY, driven by the solid sales momentum of "Honor" facelifts with minor spec upgrades but meaningful price cuts of 10-20%. Overseas sales up 7% MoM to a record level of 41k units. Other major EV brands recorded divergent performance, with NIO (+135% YoY) showing accelerating sales growth driven by discounts, while Li Auto (flat % YoY) and XPeng (+33% YoY) delivered a relatively slow start in April. (for reference only, abovementioned stocks are not necessarily in the constituent list of the ETF). Based on insurance registration, new energy vehicle (NEV) penetration remained at a high level of 45.5% in the last week of April.<sup>12</sup>
- **Trade in stimulus to support 2024 volume growth:** On 26 April, a detailed plan for auto trade in program offering one-time subsidy for car replacements was jointly announced by 7 central government departments. Consumers replacing their old cars with NEVs will be entitled for Rmb10k subsidy, and those who choose to purchase new ICE vehicles with displacement of 2.0L or less will be granted less subsidy. The new trade in program is generally better than expected both in terms of ranges of eligible vehicles and amounts of subsidies, which can support EV demand throughout the year.
- **Battery inventory cycle bottoming out:** According to the China Automotive Battery Innovation Alliance (CABIA), China's EV battery installation was up 95% MoM.<sup>13</sup> EV battery inventory has been in a continuous destocking cycle and there are signs of bottoming out, with global battery inventory months dropping significantly to 1.4 months in Feb 2024 from 3.5 months one year ago. CATL continued to expand market share to 45%, while BYD's share stayed relatively flat YoY at 27%.<sup>14</sup>
- **Battery material costs stabilizes in April:** China's spot lithium carbonate price was stabilised at around RMB 112 k/t at the end of April<sup>15</sup>. Battery materials prices have decreased by over 80% from its peak in Feb 2022, supporting the continued cost optimization for battery makers and EV manufacturers.
- **Beijing Auto Show 2024** was held between 25 April and 4 May, during which 117 global premieres (including 30 global premieres by multinational companies), 41 concept cars, and 278 NEV models were showcased. Top executives of EV brands, especially Xiaomi's CEO Mr. Lei Jun, gained massive attention during the show and was widely discussed on the internet. The tech giant is disrupting China EV landscape with its highly interactive product ecosystem, large user base, and unique fans culture. Following the successful debut of SU7 on 28 March, Xiaomi has locked c.75k orders as of 25 April, and targets to deliver 100k for 2024.

### Stock Comments

- **BYD (002594.CH):** BYD's share price was up 5% in April, a positive contributor to the ETF. BYD reported 1Q24 results with Net Profit of Rmb 4.6bn, +11% YoY and largely in line with market expectation. Notably, its NEV GPM expanded by an impressive 28%<sup>16</sup>, driven by higher contributions from premium brands and exports, as well as supply chain cost reduction, though partially offset by unprecedented price cut during the quarter. Though current industry price competition shows no signs of easing as the majority of OEMs still prioritize NEV market share over profitability, the solid profitability for BYD indicates the capability of leading OEMs to weather through competition thanks to more appealing products and higher operational efficiency. BYD has announced a series of high-end models including Denza Z9 and Bao 8 to be launched throughout the year, its product mix upgrades should also contribute to a resilient profitability in 2024.
- **CATL (300750.CH):** CATL's share price was up 10% in April, a positive contributor to the ETF. CATL's 1Q24 results showed solid unit battery profitability, which is likely to sustain throughout 2024, driven by improving product mix and efficient cost control.<sup>17</sup> Management expected utilization to show ongoing improvement and reach high level. In Beijing Auto Show 2024, CATL unveiled a new generation super charging battery – Shenxing Plus - supporting 1,000km range and featuring 600km range/10 min charge. The strong product capacity upgrade within short timeframe demonstrates the leading R&D capacity for CATL, which should support its further market share gain globally.

<sup>11</sup> CPCA, CnEVPost, April 2024

<sup>12</sup> Jefferies, May 2024

<sup>13</sup> UBS, April 2024

<sup>14</sup> UBS, April 2024

<sup>15</sup> UBS, March 2024

<sup>16</sup> Citi, April 2024

<sup>17</sup> Morgan Stanley, April 2024



## Preview

We remain positive on the long term growth potential for EV and battery value chain, along with the upward global EV penetration trajectory. Domestic old car replacement demand and export sales should support China's resilient auto momentum and benefit leading domestic brands. We expect the China auto market to stay competitive in 2024 with strong new product line-up from EV brands and new entrants such as Xiaomi. Though intensifying competition among EV brands remains the key concern with major EV brands announcing fierce price cut in the past 2 months, we are seeing a rapid consumer interest rebound for key EV models<sup>18</sup> after price cut announcements, which should be a leading indicator for sales and further drive up EV penetration. In addition, recent signs of battery inventory cycle bottoming out after destocking last year implies a normalized industry landscape that could lead to a better margin profile for battery industry leaders.

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<sup>18</sup> UBS, March 2024



## Global X China Clean Energy ETF (2809 HKD)

### Industry update

- **Solar – Polysilicon prices declined:** Solar polysilicon prices were Rmb49/kg by the end of April, decreased by over 25% compared to one month ago, and were lower than most companies' cash costs<sup>19</sup>. Increased polysilicon supply and inventory pressure from wafer could weigh on polysilicon price. Module prices saw a mild decline MoM, and some manufacturers plan to reduce May production to control module supply, according to PV Infolink.<sup>20</sup> Solar module and inverter export recorded MoM improvement in March, with the destocking in EU nearing completion and could recover in 2Q24. <sup>21</sup> Solar glass prices increased by 12% MoM and inventory levels decreased MoM to 19 days, implying demand recovery.
- **Grid and power installation – Strong wind and solar installations;** grid Capex delivered mild growth: China's Jan-Mar 2024 wind installations grew +49% YoY while solar installations expanded +36% YoY over the same period. In Jan-Mar 2024, the electricity grid spending in China reached Rmb76.6bn. +15% YoY.<sup>22</sup> The National Development and Reform Commission and National Energy Administration jointly issued on 1 March the Guidance on high-quality development for the power grid distribution network. It sets multiple medium-term (by 2025) and long-term (by 2030) targets for improving the smartness and stability of the distribution power grid.

### Stock Comments

- **Sungrow (300274 CH):** Sungrow's share price was relatively flat in April, a positive contribution to the ETF. Sungrow reported better than expected 1Q24 results, driven by solid gross margin for Energy Storage System (ESS) and solar inverter.<sup>23</sup> Across solar value chain, Sungrow displays more resilient profitability under a more favourable competitive landscape for ESS thanks to its technology leadership and solid track record. Sungrow is poised to benefit from the global solar demand growth and further expand its market share for inverter globally.<sup>24</sup>

### Preview

We are optimistic about the structural growth profile in renewable development, with China taking the leading position globally, particularly in the solar supply chain. However, it is worth noting that the solar supply chain entered a consolidation phase starting 2023, as it has taken time for the industry to digest excess capacity in the past few years. We believe the profitability for the value chain will stay constrained, and players who can keep a good balance sheet and maintain technology leadership will be the long-term winners. We are bullish on the electrical equipment players who benefit from increased grid and system investment in China and globally. They enjoyed a higher selling price and volume growth amid global equipment tightness.

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<sup>19</sup> UBS, April 2024

<sup>20</sup> UBS, April 2024

<sup>21</sup> UBS, April 2024

<sup>22</sup> National Energy Administration, April 2024

<sup>23</sup> UBS, April 2024

<sup>24</sup> Macquarie, May 2024



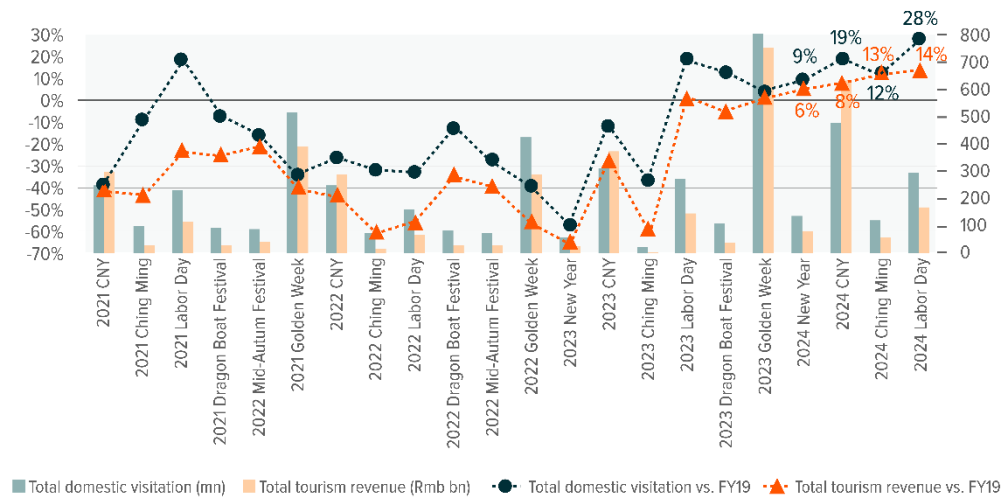
# Global X China Consumer Brand ETF (2806HKD)

## Industry Update

- For the Labor Day holiday, total China domestic traffic was 295mn on May 1 – 5th, 8% YoY, according to the Ministry of Culture and Tourism. This is a 28% increase vs. FY2019 levels, an improvement from +19%/+12% during the CNY and Qingming holidays. Tourism revenue came in at Rmb167bn, +14%<sup>25</sup> vs. FY2019 levels, implying that each traveler still spent less than what they used to pre-Covid.
- By segments, outbound travel demands were strong. Outbound tourism traffic was up 40% yoy<sup>26</sup>, benefiting from increased flight capacity, easing visa controls, and favorable FX. Long-haul destinations further accelerated from previous holidays, benefiting from easing visa policies. Hainan's DFS sales fell -38% yoy on both fewer shoppers and lower per-head spending potentially due to extreme weather conditions and traffic dilution to overseas.

### TOTAL DOMESTIC TRIPS AND TOURISM REVENUE DURING PUBLIC HOLIDAYS (CHINA)

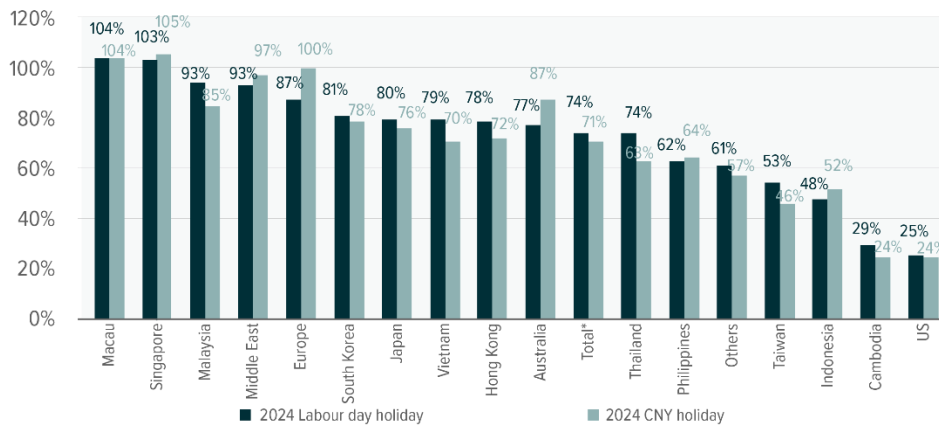
Source: Ministry of Culture and Tourism (China), as of May 2024.



■ Total domestic visitation (mn) ■ Total tourism revenue (Rmb bn) ● Total domestic visitation vs. FY19 ▲ Total tourism revenue vs. FY19

### OUTBOUND AIR SEAT CAPACITY DURING MAJOR PUBLIC HOLIDAYS

Source: OAG, Company data, Goldman Sachs Global Investment Research, as of May 2024.



Note: Labour day holiday refers to daily average in 5.1.2024-5.5.2024 vs. 5.1.2019-5.4.2019, CNY holiday refers to 2.10.2024-2.17.2024 vs. 2.4.2019-2.10.2019.

<sup>25</sup> the Ministry of Culture and Tourism, May 2024

<sup>26</sup> the Ministry of Culture and Tourism, May 2024



## Stock Comments

### Key Contributors:

- **Haier Smart Home (600690 CH), Midea Group (000333 CH):** White goods sector's stock price performance were relatively strong YTD, mainly because 1) both domestic and overseas AC production volume growth remained robust, according to China IOL. Into 2Q24, China IOL revised up overseas AC production planning to +27% in 2Q24, from +17% previously, mainly driven by robust demand in Middle East, Southeast Asia, and Latin America, boosted by re-stocking in preparation for rising raw material costs, 2) potential stimulus policy (subsidy program) released by the government that can drive an uplift of the overall industry revenue growth for FY2024. In addition, Haier and Midea both offer attractive dividend yield which could provide stable shareholder return.

### Key Detractors:

- **Li Auto (LI US):** On April 22, Li Auto cut prices of its entire model lineup except for the newly-launched L6. The cuts of Rmb18-30k – the first time the company officially cut MSRP, amid continuously intensifying competition within the China EV industry. Stock price reacted negatively to the price cut.

## Preview

China consumer sector share price rebounded for the month of April. Since start of the year, consumer demands for sectors like travel remained strong, mostly driven by pent-up demands and improved airline capacity. OTA and hotels were the key beneficiary of a solid travel demand.

Moreover, consumer sentiment seems to be stabilizing from second half last year, when overall macroeconomy remained weak despite the reopening. Most of the China consumer companies already reported 1Q24 earnings. Sales are better than feared on a tough comp with online, lower-tier cities, experience-related consumption leading the growth. Overseas growth is a bright spot for home durables (white goods and cleaning appliances), IP concept retailers, apparel & footwear OEMs, pet food. Local brands in general outperformed MNC brands considering the price points and product cycles.

Into 2Q24, consumer companies' earnings will be more important to support a continuous share price rally. Key events post Labor Day holiday consumption will be 618 promotion events and the Paris Summer Olympics, which are critical for product launches and promotional/marketing activities.



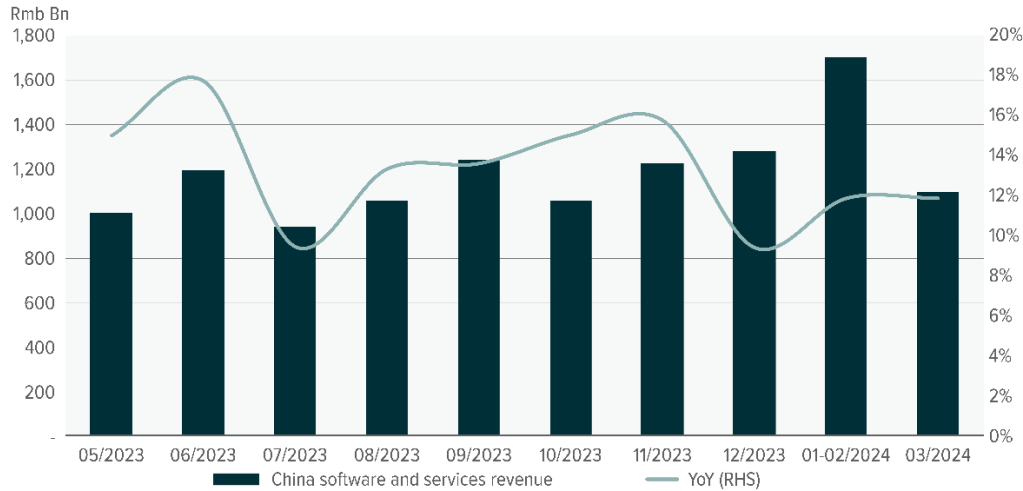
## Global X China Cloud Computing ETF (2826 HKD)

### Industry Update

In March 2024, China Software industry revenues were +11.9% YoY, driving 1Q24 total industry revenue growth at 11.9% to Rmb2,802bn.<sup>27</sup> Revenue from software products +10.8% YoY to Rmb288.9bn during this period, while revenue from IT services +12% YoY to Rmb716.5bn. Security software revenue +3% YoY to Rmb6.3bn, and Embedded system software revenue +15.6% YoY to Rmb85.2bn.

### SOFTWARE COMPANIES REGISTERED IN CHINA: AGGREGATE REVENUES AND YOY

Source: MIIT, April 2024.



### Stock Comments

#### Key Contributors:

- **Tencent Holdings (700 HK):** Tencent share price remained strong as compared to overall MSCI China index, as market expects the company's domestic game revenue to reaccelerate into 2Q24 with the release of long-anticipated DnF Mobile.<sup>28</sup> For international games, Q1 Supercell's 1Q24 revenue rose 82% YoY with Brawl Stars as the core driver. In addition, PUBG's global revenue has risen since H223 and was up 34% YoY in Q1<sup>29</sup>, due to improving monetization and its relaunch in India. Both trends should have supported a meaningful improvement for Tencent's international games since 4Q23.
- **SenseTime (20 HK):** The company releases its new LLM SenseNova 5.0 LLM, which receives high market attention. For FY2023 earnings results, 2023 revenue declined 11% YoY with net loss expanding 7% YoY to Rmb6.4bn<sup>30</sup>, dragged by the smart city business. SenseTime's increasing revenue mix from generative AI has shortened the overall cash conversion cycle, compared to smart city business with longer cash conversion.

#### Key Detractors:

- **iFlytek (002230 CH):** Share price has been weak for the month as market remains concerned on 1Q24 results for potentially elevated operating loss. iFlytek's 1Q24 revenue rose 26% YoY, but net loss reached the record-high level of Rmb300mn, mainly due to gross margin contraction of government-related business. Since the launch of iFlytek LLM Spark in May 2023, the Company has received positive feedback from consumers, especially on products such as learning pad with 99% YoY rev. growth in 1Q. In addition, SOEs show strong interest in AI application and monetization is on the way. However, tight government budget and continuing investment are short-term headwinds, and AI revenue contribution is relatively small and cannot offset the negative impacts.

<sup>27</sup> MIIT, April 2024

<sup>28</sup> Company data, April 2024

<sup>29</sup> Company data, April 2024

<sup>30</sup> Company data, April 2024



### Preview

China software industry revenue growth remained weak as compared to pre-Covid, due to no signs of a meaningful recovery of the overall local government and private enterprise IT spending amid a fluid macroeconomic condition.

For AI, leading software and internet companies have been investing in hardware and talents to drive continuous upgrade of their large language models, e.g. SenseTime released its new LLM SenseNova 5.0 LLM, which receives high market attention. New AI start-up like Moonshot AI, which has been developing LLMs that can handle long inputs of text and data, has raised over \$1 billion in a Series B round from investors including Alibaba and Meituan.

Overall, we remain optimistic about AI monetization in China, whereas near-term process of monetization in different industries will be key to drive software companies' stock price.



## Global X Hang Seng High Dividend Yield ETF (3110 HKD)

### Industry Update

- The Hang Seng High Dividend Yield Index recorded a solid rebound of 6.5% in April 2024, as the high dividend and low valuation characteristics of Hong Kong listed stocks are attracting more inflows from foreign investors under current volatile global markets.<sup>31</sup> The top-performing sectors was Material, whilst the bottom-performing sector was Consumer Discretionary<sup>32</sup>.
- Further rollout of supportive policies remained a key driver to share market rebound in China. On April 12, the State Council introduced the once-in-a-decade "9 Measures" to guide capital market development, focusing on strengthening capital market regulations, enhancing shareholder returns and raising the quality of listed companies. The "9 Measures" also address concerns about excessive equity issuance and insufficient delisting mechanisms in China's equity market, and promote long-term and index investments, which should support a more stable stock market in China.

### Stock Comments

- **China Hongqiao Group (1378 HK)** emerged as the best-performing stock in the Hang Seng High Dividend Yield Index, delivering a remarkable return of over 20% in April.<sup>33</sup> Shandong Hongqiao, the subsidiary of its domestic aluminium business, reported better than expected 1Q24 net profit.<sup>34</sup> Dividend payout ratio was 47% in 2023, and management expect to maintain payout ratio at 40-50% in coming years.<sup>35</sup> The lower level of aluminium inventory is likely to limit the price downside, and the elevated aluminium price and the expected higher alumina price will likely to secure solid earnings for Hongqiao in FY24.<sup>36</sup>

### Preview

Hang Seng High Dividend Yield Index is well positioned to benefit from increasing allocation from global investors amid global market volatility. Notably, this Index consists of over 60%<sup>37</sup> of its constituents in State Owned Enterprises. Supportive policies across consumption, property, and technology sectors, as well as the ongoing capital market reforms are key drivers for market rebound. The concept of the Valuation System with Chinese Characteristics ("VCC") is back in the spotlight again in light of recent developments. The primary objective of VCC is to enhance the quality and investment value of listed companies, especially SOEs. By investing in the Hang Seng High Dividend Yield Index, investors can gain exposure to high dividend-paying and low-volatility companies while also benefiting from the accelerated implementation of VCC.

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<sup>31</sup> Financial Times, May 2024

<sup>32</sup> FactSet, May 2024

<sup>33</sup> FactSet, May 2024

<sup>34</sup> UBS, May 2024

<sup>35</sup> UBS, March 2024

<sup>36</sup> Morgan Stanley, March 2024

<sup>37</sup> Bloomberg, February 2024





## Global X China Little Giant ETF (2815 HKD)

### Industry Update

- A-shares consolidated in April with CSI300/500/1000 recording +1.9%/2.9%/1.0% in April.<sup>38</sup> A-share turnover eased to an average of cRmb0.9trn in April from cRmb1trn in March, although bouncing back to Rmb1-1.2trn in the last three trading days, on rising expectations of property support measures. CSI300/500/1000 saw continuous downward revisions in 2023 EPS growth in April (post 1Q24 results). Among the 11 Wind A-share Level-1 sector indices, Financials (+4%), Materials (+3%), and Healthcare (+3%) ranked top-three performers, while Real estate (-4%), Telecom (-2%), and IT (-2%) were the bottom three.
- On April 12th after the market close, China's State Council released its decadal Guidelines for the capital market development, Nine Initiative 3.0, which aims to boost investor confidence both onshore and offshore. The 3.0 version seeks to address the top concerns in the market and establish a framework for market value management, with internal sources and third parties making assessments.<sup>39</sup> In addition, it aims to supervise major shareholder sell-downs and restrict circumventions. It also emphasizes the importance of dividends, promising to raise incentives for quality listed companies, delisting, and IPO management as well as to raise dividend yields to investors. Coincidentally from recent results, we also see a rising trend among Chinese companies towards enhanced capital utilization efficiency and improved shareholder return, especially amongst SOEs and large-cap names. Consequently, we are observing a strong style shift and inflow toward China A50 index names (representing the top 50 large-cap China A shares).
- Another surprise came from the Politburo meeting held at the end of April. The politburo announced the 3rd Plenum to be held in July, while emphasizing the need to study a new development model for the housing market and policy measures to absorb inventory stocks, as well as to improve new home supplies. Subsequently, Beijing announced easing measures in home purchase restrictions (HPRs), allowing homebuyers to purchase one additional home in non-core areas, a first in the past 13 years. On the same day, Tianjin's local government announced lifting HPRs for homes over 120sqm and also allowing residents from Beijing and Hebei to purchase houses in the city. We expect more gradual easing measures to follow suit in tier-1 cities. We believe resolving the house inventory issue is the more practical and effective approach to addressing the major problems of China's property market, and hence could bring a positive turnaround in the long-term asset deflationary expectations.

### Stock Comments

- **Bochu Electronic (+14.45%):** 1Q24 revenue of Rmb381mn (+40% YoY, -8% QoQ), supported by upbeat laser machine exports and continuous market share gain in high-power laser cutting motion control systems and cutting heads.

### Preview

We will watch for sustainability of China macro data recovery and the policies follow through.

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<sup>38</sup> Bloomberg, May 2024

<sup>39</sup> China's State Council, April 2024



## Global X Japan Global Leaders ETF (3150 HKD)

### Industry Update

- In April 2024, the FactSet Japan Global Leaders Index experienced a gain of 1.7% in JPY terms<sup>40</sup>, reflecting the resilience of the leading Japanese companies, though we are seeing sell-off pressures for Japan stock markets from foreign investors for profit taking purposes. Among the sectors within the index, Materials and Industrials emerged as the top-performing sector while Consumer Discretionary sector was the bottom-performing one.<sup>41</sup>
- On prolonged US inflationary pressure and escalating Middle East tensions, JPY depreciated by 4% with USD/JPY reaching 157<sup>42</sup> by the end of April, despite the fact that BOJ ended 8 years of negative interest rates in March and raised its policy rate to 0% - 0.1%. Though Yen recorded rebound at the start of May on suspected intervention by Japanese authorities,<sup>43</sup> current historical low valuation of Japanese Yen should continue to support the growth for leading export companies. We believe the significant policy shift by BOJ reflects the positive reflation dynamics, which, coupled with accelerating wage growth from this year's Shunto wage negotiations, will drive Japan's domestic consumption demand and support Japan equity market.

### Stock Comments

- **Nidec (6594 JP)** was a top-performing stock in the FactSet Japan Global Leaders Index, delivering a return of over 18% in April (JPY term).<sup>44</sup> On 15 April, Nidec announced that it will increase its monthly CDU (Coolant Distribution Unit) production capacity from 200 to 2,000 units by June 2024, and aims to expand production to over 3,000 units per month in the future.<sup>45</sup> The capacity expansion is in response to the adoption by US-based Supermicro, indicating the rapid growth in water cooling modules for AI servers.

### Preview

We are optimistic about the overall Japan equity market, supported by a combination of robust export growth, recovering domestic demand, and the weak currency. We see BOJ rate hike as a positive signal for reflation and the start of normalization of Japanese economy. Furthermore, Japan's export sector has been performing exceptionally well, benefiting from a global economic recovery and increased demand for Japanese products. This export growth contributes to the overall strength of Japanese companies and their profitability. Additionally, the weakening of the JPY against major currencies enhances the competitiveness of Japanese exports, further bolstering the country's export-driven economy. With these factors in play, the Japan export leaders stand to benefit from a favorable environment, attracting both domestic and international investors seeking opportunities for capital appreciation and growth.

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<sup>40</sup> FactSet, May 2024

<sup>41</sup> FactSet, May 2024

<sup>42</sup> FactSet, May 2024

<sup>43</sup> FactSet, May 2024

<sup>44</sup> FactSet, May 2024

<sup>45</sup> Nidec, April 2024



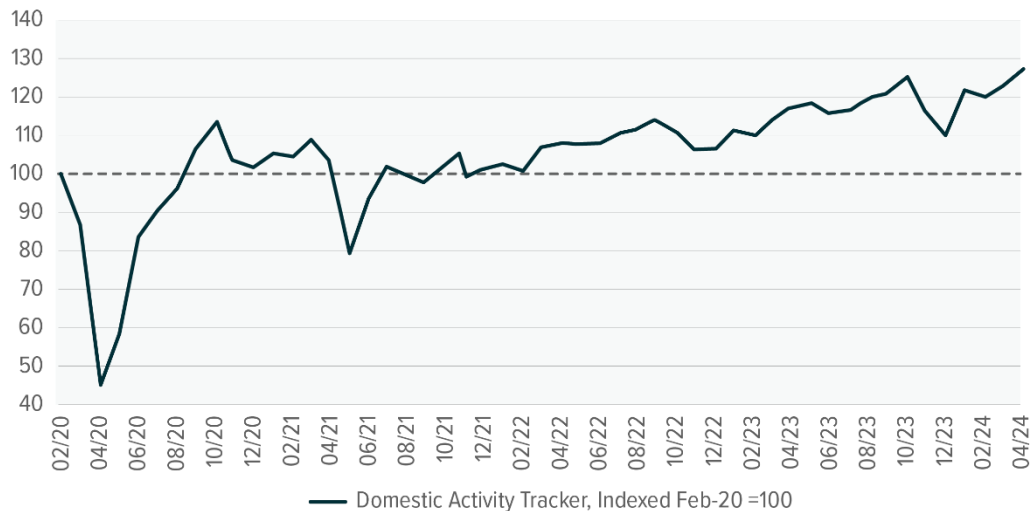
## Global X India Select Top 10 ETF (3184 HKD)

### Market Update

- We remain constructive on India's growth outlook. Domestic demand continued to show strength in April with GST collections reaching to record highs at Rs 2.1tn, up 12.4%yoy, while manufacturing PMI slightly softened to 58.8. Credit growth remained strong rising 16.1%yoy during the month. Services PMI slowed to 60.8 in April yet it continues to remain above 60 levels for 4 consecutive months thanks to robust demand and increasing new orders. India showed a robust growth in FY24 thanks to capex/industrial activity momentum and we expect FY25 growth to be more broad-based with narrowing gaps between private-public capex and rural-urban consumption.
- India's general election kicked off on 19th April and will continue till 1st June, with counting on the June 4th. In the first two phases so far, voter turnout has been below the trend see in last election and historically, lower voter turnout in a general election has not helped the incumbent. That said, there are still 5 phases left and the market participants will be watching out for the turnout for third phase. In the past, the market has experienced an extended period of elevated volatility around election period but we expect less volatility this time as it is widely anticipated for BJP, the ruling political party under the incumbent Prime Minister Modi, to win the general elections, and thus the likelihood of alteration in major policies is expected to be limited.

### TRACKING INDIA ECONOMIC ACTIVITY

Source: CEIC, Ministry of Power, MS Autos team, Haver, CMIE, Morgan Stanley Research, April 2024.



### Stock Comments

- **Bharti Airtel (BHARTI IN)** was the major contributor in April thanks to improving competitive landscape of telecom sector in the country. The market has been very competitive since Reliance Jio's entrance into the market which led consolidation of the industry. It seems industry participants are now aligned with the current market structure and expect the awaited tariff hike post-election to lead to ARPU hike in coming quarters which would lead to better returns on capital and FCF of the company.
- **Sun Pharmaceutical (SUNP IN)** was the major detractor in April due to regulatory concerns in the US. FDA issued 'Official Action Initiated' status for Sun's Dadra plant after the plant inspection in December 2023. OAI status means that the FDA found notable deviations from its prescribed GMP quality norms and it may withhold approval of new products from Dadra until the company fixes the issues. Thus, US generic sales is likely to remain range bound on FDA issues and low the visibility on launches.

### Preview

This confluence of strong GDP growth, moderate inflation, and recovery in consumption suggests a buoyant outlook for the Indian equity markets, and we believe these conditions will be conducive to capitalizing on potential growth opportunities during this fiscal year in India. In the near term, national election will be the major event to watch out for the market.



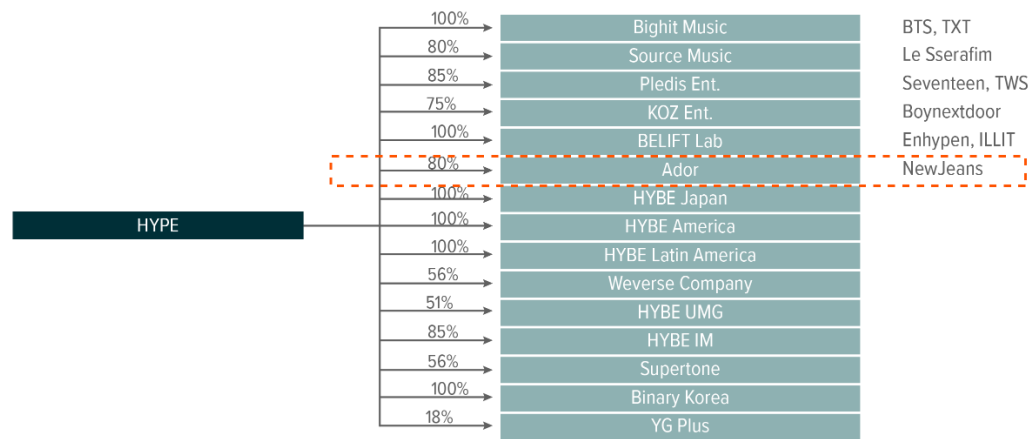
## Global X K-pop and Culture ETF (3158 HKD)

### Industry Update

- The major event for the K-pop industry in April was the dispute between the management team of HYBE. HYBE initiated an audit into the management of their 80% owned subsidiary Ador which has allegedly attempted to become independent from the parent company and leaked confidential information. The news triggered the market concerns over artist retention risk and production quality risks. Key industry players have been shifting towards multi-label system to mitigate human risk and the industry leader, HYBE, has been best known for its strong multi-label ecosystem. Thus, the market will closely watch out for how the management team solves this issue as this may prove the company's ability to manage human risk, which is inherent risk for the entertainment industry.

### HYBE COMPANY STRUCTURE – HYBE OWNS 80% STAKE IN ADOR LABEL

Source: Company data, Goldman Sachs, April 2024.



Note: blue indicates subsidiary, grey indicates affiliate

### Stock Comments

- Amorepacific (090430 KS)** was the major contributor in April thanks to strong 1Q24 earnings beat driven by overseas business. The company reported flat revenue growth and +13%yoy OP growth which came in 41% above consensus. Strong overseas business including 1) smaller than expected loss in China, 2) stronger than expected earnings from Asia ex China, and 3) higher than expected equity gain from COSRX. COSRX revenue grew +82%yoy in 1Q24 and the company revised up COSRX's full year revenue guidance to +50yoy from +30%yoy previously. COSRX has been a good example of Korean brands getting a good attraction from global consumers.
- Hybe (352820 KS)** was the major detractor in April due to ongoing management risk. Meanwhile, 1Q24 results came in-line with the already lowered expectation. Revenue declined by 12%yoy and OP declined by 73%yoy amid largely muted major artists' activity. The street expects 2Q24 revenue and OP to strongly rebound to a record high level considering major artists' new album releases (Seventeen, New Jeans, TXT) and world tours (Seventeen, TXT, Enhypen).

### Preview

The Korean wave is not only making waves in the Asian market, but also going global. While human risk or contract risk has been raised again with ongoing disputes at HYBE, we still see strong demand for upcoming Newjeans Tokyo concert and also anticipate BTS's return – Jin in June 2024 and J-hope in October 2024 after serving in the military. Amore's COSRX also surprised again on Korea cosmetic's popularity in global market. We believe this wave of K-pop and culture, characterized by music, entertainment, fashion, beauty and food will continue to bring unique investment opportunities in coming years.



## Global X HSI Components Covered Call Active ETF (3419 HKD) Global X HSCEI Components Covered Call Active ETF (3416 HKD)

### Industry Update & Issue Analysis

In April, the Hong Kong stock market continued its upward momentum, reaching a year-to-date high with robust support from investors. The Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) surged by 7.45% and 8.05% <sup>46</sup> respectively, primarily fueled by gains in financial and Chinese tech stocks. Analysis of the corresponding VHSI and VHSCEI Volatility Indexes, which gauge expected volatility for the HSI and HSCEI, slightly increased to 22.92 and 26.53 respectively. Given this context, the estimated premium generated by writing HSI and HSCEI out-of-the-money call options stood at 2.3% and 3.0% respectively in April.

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<sup>46</sup> Bloomberg, April 2024

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