

GLOBAL X

by Mirae Asset



Thematic Investing in the Sustainable Energy Transition

7 April 2022

Content



Introduction to Global X ETFs

Themes for the Green Transition

- Solar Power/Wind Energy
- Hydrogen
- CleanTech/Renewable

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About Us

Global X ETFs was founded in 2008. For more than a decade, our mission has been empowering investors with unexplored and intelligent solutions.

Our Team



A diverse collection of more than 80 financial professionals, representing more than five native languages and ten nationalities, bringing together over 200 years of industry experience

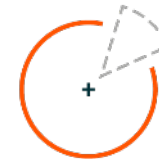
Our Business



Exchanged-Traded Funds (ETFs)



Research & Insights



ETF Model Portfolios

Our Partners



Global Perspective & Reach



World-renown Index Providers & Exchanges

Our Brand

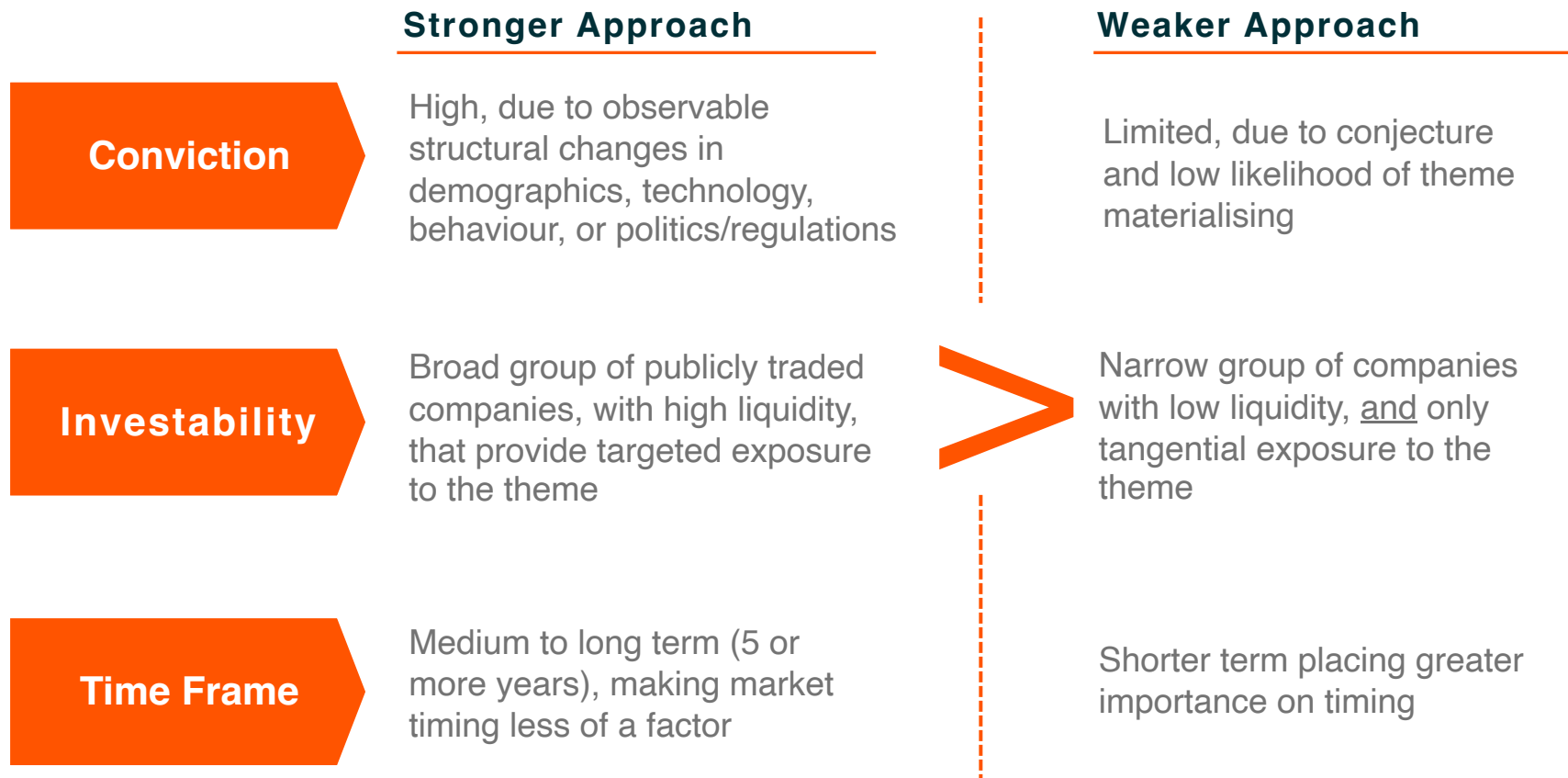
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3 Steps for Choosing a Theme

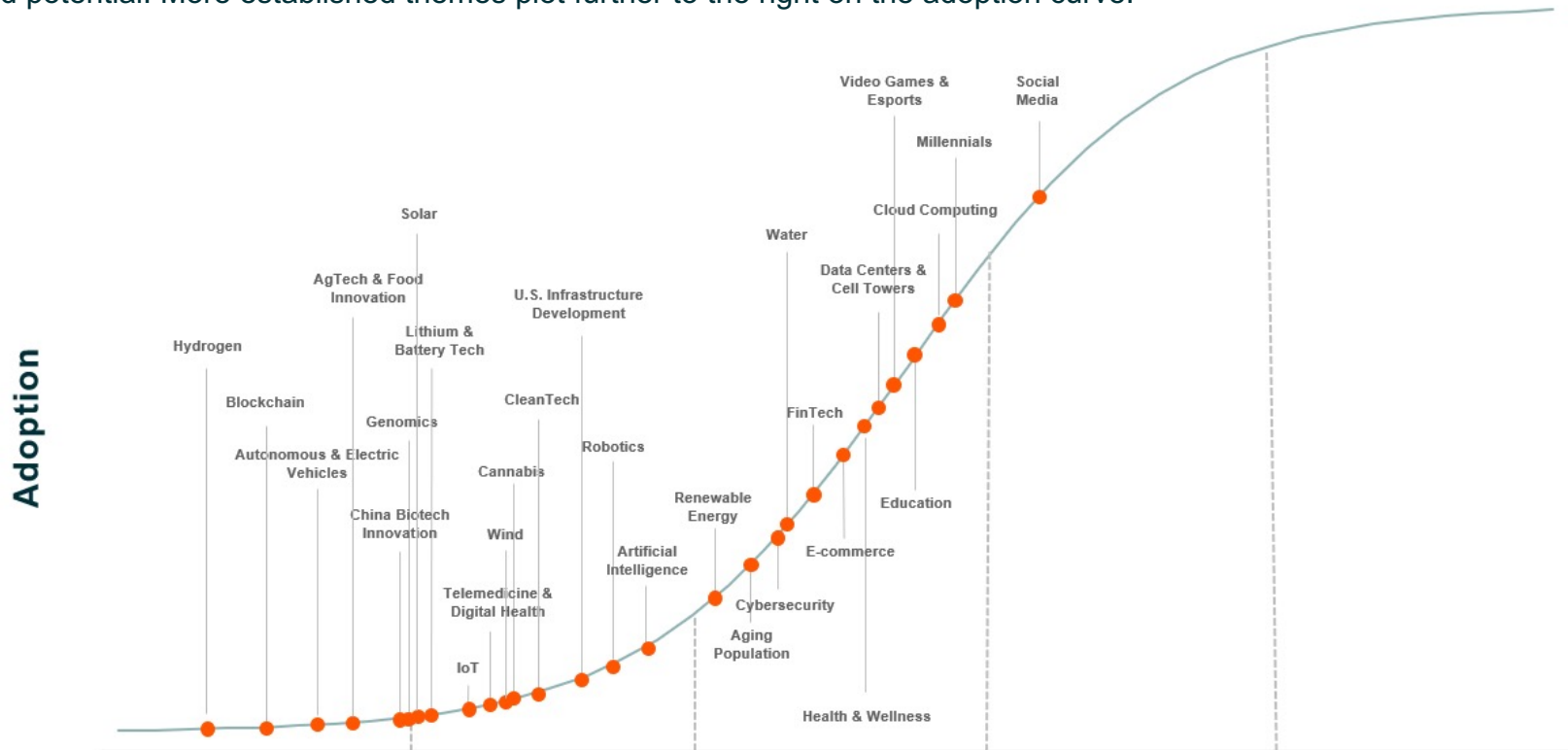
Keys to approaching thematic investing: Look for high conviction themes, investments with high exposure to those themes, and a multi-year time frame.



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Where Do Disruptive Themes Stand?

While each theme follows a unique adoption curve, the chart below estimates the phase of adoption for several themes we cover. Less developed themes plot further to the left on the adoption curve and have both higher risk and higher reward potential. More established themes plot further to the right on the adoption curve.



Adoption	Innovators	Early Adopters	Early Majority	Late Majority	Laggards
Growth	Slow	Medium	High	Medium	Slow

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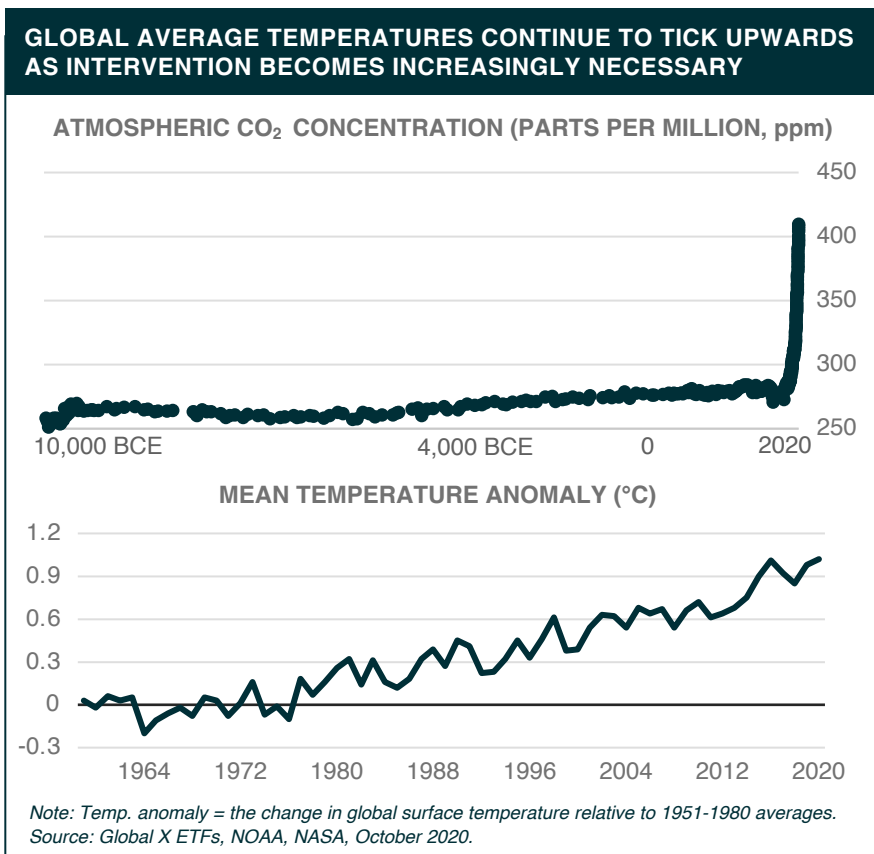
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Green Energy Themes

The Need for CleanTech/Renewables: Climate Imperative

The need to address climate change is pressing. Decarbonization through a clean energy transition is our best hope in addressing it.



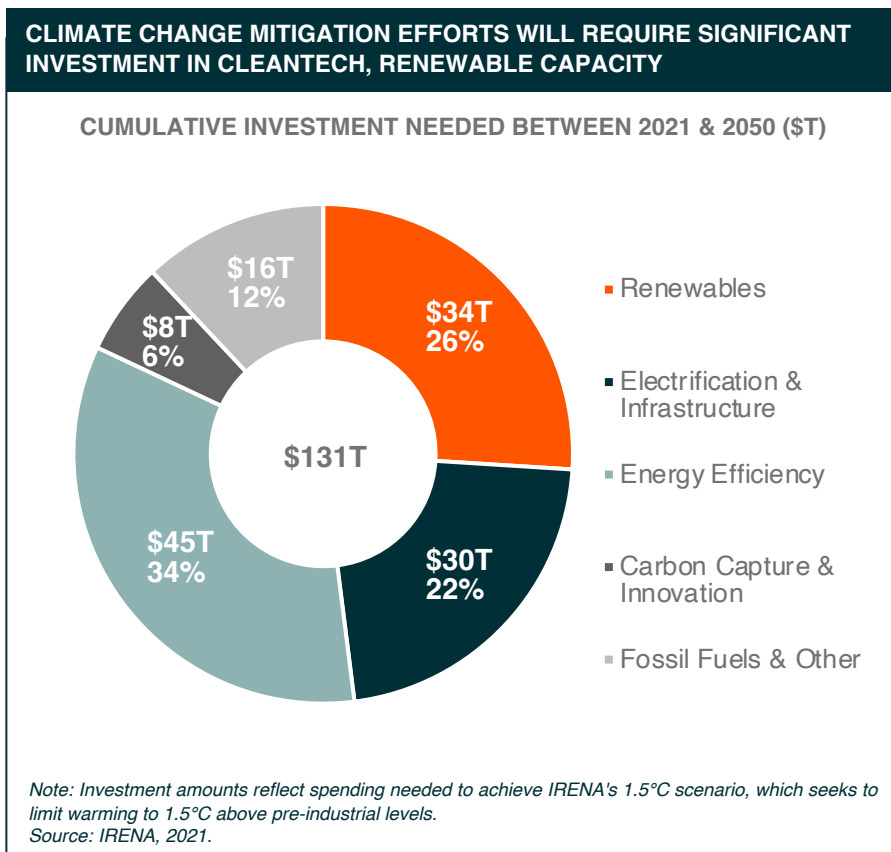
Earth's Climate is Changing for the Worse

- **Record Heat:** 2011-2020 avg. temp ~1.1 °C warmer than 1850-1900 average (preindustrial period)¹
 - 2020 tied 2016 for hottest year & July 2021 = hottest month on record^{2,3}
- **Cause:** Atmospheric CO₂ concentration from 2010-2019 was 43% > preindustrial average (410 parts per million vs. 289 ppm)⁴
 - Human activity = primary driver of heightened concentrations
- **Impacts⁵**
 - Intensity/frequency of extreme temps on land increased since the 1950s' & ocean heatwaves doubled since the 1980s
 - Heavy precipitation events are more frequent/intense since 1950s, while droughts also increased from warmer temps.
 - Over past 100 years, sea levels rose faster than in any comparable time-period in 3,000 years prior
- **Current Path:** Under current policies, temperatures in 2100 could fall in the range of 2.1 - 3.9°C > preindustrial averages⁶
- **Solution:** Limiting warming to 1.5°C (critical threshold), by reaching peak emissions by 2020s & reaching net-zero by 2050⁷

Sources: 1; IPCC, "AR6 - Climate Change 2021: The Physical Science Basis," August 2021.; 2. NASA, "2020 Tied for Warmest Year...," Jan 2021.; 3. Financial Times, "Record June heat in North America..." Jul 2021.; 4. NOAA Global Monitoring Laboratory, Atmospheric Carbon Dioxide Database; Global X Analysis.; 5. IPCC, "Climate Change 2021: The Physical Science Basis," August 2021.; 6. Climate Action Tracker, "Global Update: Climate Summit Momentum," May 2021.; 7. IPCC, "Climate Change 2021: The Physical Science Basis," August 2021.

The Need for CleanTech/Renewables: Addressing Climate Change

Human-emitted Carbon Dioxide (CO₂) is a primary cause of warming. Investment in emissions-reducing clean energy and technologies is essential to achieving carbon neutrality and keeping warming within acceptable levels.



Economic Drivers of Clean & Renewable Energy

- **Affordable Electricity:** Becoming cheaper than electricity produced by fossil fuels (see following sections)
 - Amazon & Walmart, among others, already announced plans to decarbonize using renewable energy and clean technologies¹
- **Energy Independence:** 75% global population lives in country that is net importer of fossil fuels. Renewable energy could = energy independence²
- **Labor:** Employment in renewables is rapidly growing & should increase as the transition continues, especially following COVID-19 pandemic

Solar Energy as a Decarbonization Tool

- **Clean & Renewable:** power generation produces no direct emissions
 - After 3 years of operation, a solar panel pays off “carbon debt” from manufacturing³
- **Scalability:** Solar is one of the easiest renewable sources to scale
 - In many markets solar energy = least expensive electricity, can be quickly integrated, & requires little maintenance

Wind Energy as a Decarbonization Tool

- **Clean & Renewable:** power generation produces no direct emissions
 - After 6 months–1 year of operation, a wind turbine pays off “carbon debt” from manufacturing³
- **Efficiency:** More efficient than many other cost competitive options
 - 35-50% efficient, more efficient than most fossil fuel powerplants^{4,5}

Sources: 1. Bloomberg, “Amazon Tries to Make the Climate Its Prime Directive,” Sep 21, 2020.; 2. IRENA, “World Energy Transitions Outlook: 1.5 °C,” June 2021.; 3. Saskwind, “Carbon and Energy payback of a wind turbine,” Jan. 2016.; 4. IRENA, “Renewable Power Generation Costs in 2020,” June 2021.; 5. ECOFYS, “International comparison of fossil power efficiency and CO2 intensity,” Sep. 2018.

CleanTech/Renewables: Renewable Energy Sources

Renewable energy is collected from resources that replenish naturally. Renewable energy generation is growing in absolute terms and market share. Renewables produced nearly 30% of global electricity in 2020, up from 19% in 2010.¹

- **Wind Energy**

- Onshore wind
- Offshore wind

- **Solar Energy**

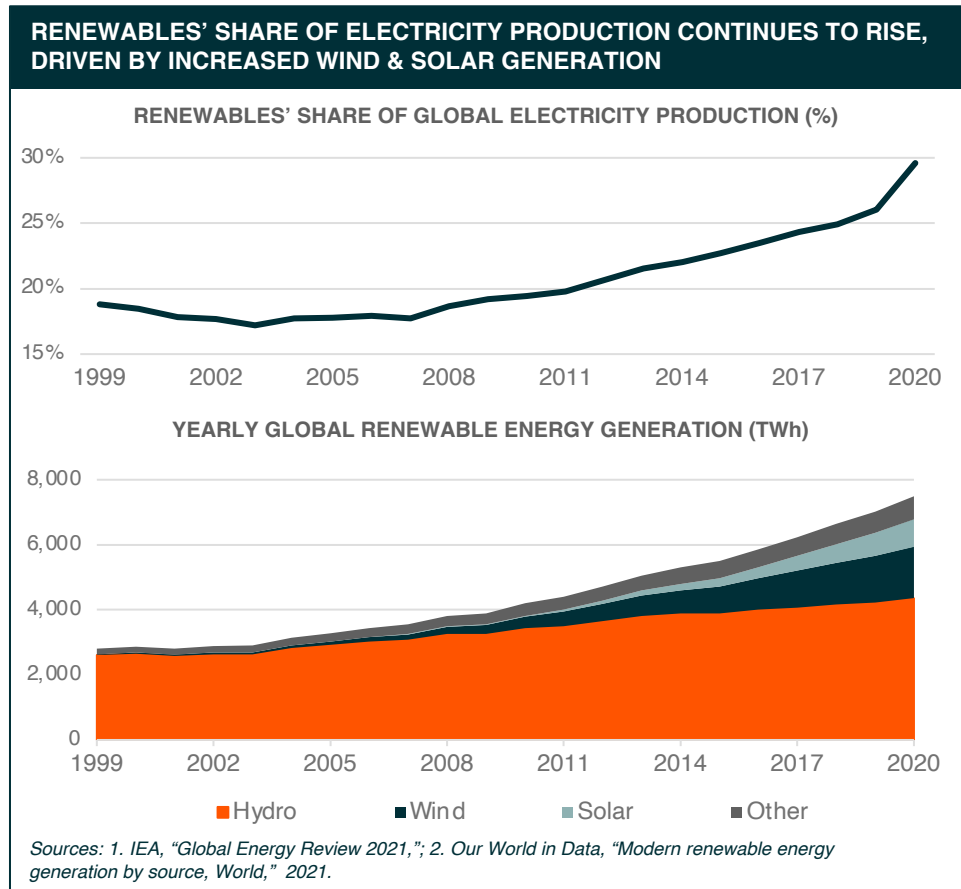
- Utility scale
- Residential (grid-tied or off-grid)

- **Hydropower**

- Dammed or ‘run of the river’ hydro power
- Tidal power

- **Geothermal Energy**

- Dry steam
- Flash steam



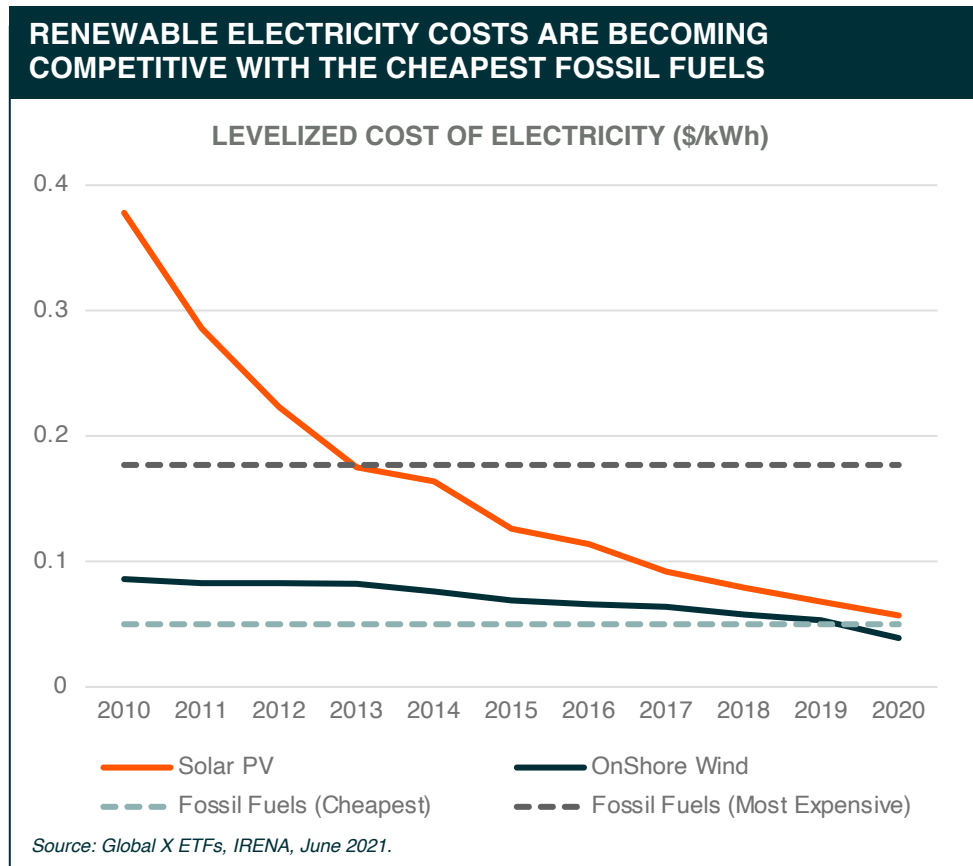
Source: 1. IEA, "Global Energy Review 2021," Apr 2021

CleanTech/Renewables: Transitioning to Renewable Electricity

Substituting fossil-fuels with clean alternative energy sources could reduce emissions by 52% of what is needed to adequately limit warming.¹

Transformation in the Power Sector

- **Supportive Policies/ Investment Enable Scale**
 - Investment averaged \$600B per year over the past 5 years²
- **Decreasing Costs Over the Last Decade³**
 - The levelized cost of electricity (LCOE) of solar decreased 80%
 - On/offshore wind LCOE decreased 55%
- **Future Growth**
 - From now to 2050, investments in wind and solar capacity could reach an average \$1 trillion per year to effectively scale renewable electricity.⁴



Sources: 1. IRENA, "Global Renewables Outlook: Energy Transformation 2050," April 2020.; 2. Energy Transitions Commission, "Making Mission Possible: Delivering a Net-Zero Economy," Sep 2020.; 3. Energy Transitions Commission, "Making Mission Possible: Delivering a Net-Zero Economy," Sep 2020.; 4. Ibid.

CleanTech/Renewables: Transformation Beyond the Power Sector

Improvements in pricing dynamics have driven adoption of solar and wind over the last decade. Further innovation in efficiency and manufacturing processes could drive costs down further.

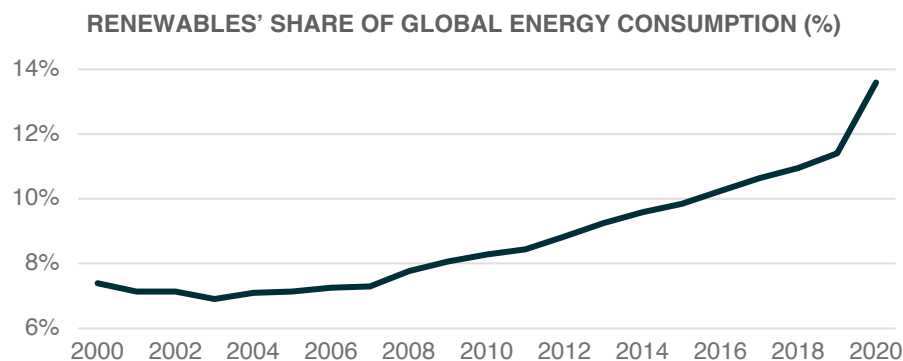
Expanding Renewables' Energy Share

- **Modernized Power Systems:** Accommodating variable renewable energy (VRE)
- **Electrification:** Direct vs. indirect
- **Energy Efficiency:** Electric energy > combustion energy

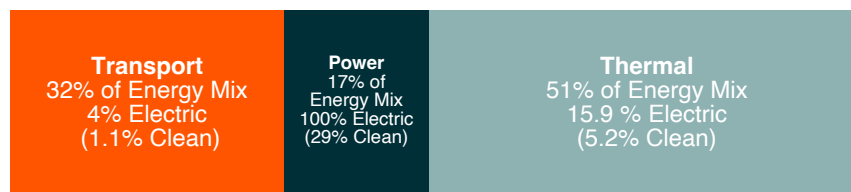
Electrification & Energy Efficiency Explained

- **Transportation:** Continued adoption of EVs and build out of charging infrastructure bodes well for electrification of transportation sector
- **Buildings:** Electric heat pump adoption must increase 10x between now and 2050 for adequate decarbonization. Energy efficiency benefits should help drive this adoption²
- **Building Infrastructure:** Electric heat pumps are 300% efficient vs. gas boilers which are 90% efficient³
- **Electric Transportation Infrastructure:** Electric engines are 90% efficient vs. internal combustion engines which are 20-40% efficient⁴

RENEWABLES' SHARE OF GLOBAL ENERGY MIX LAGS POWER SECTOR



SECTOR SHARE OF TOTAL ENERGY USE (%) ELECTRICITY/CLEAN POWER SHARE OF SECTOR ENERGY USE (%)



Note: Thermal refers to heating/cooling in industry and buildings.

Sources: 1. IEA, "Global Energy Review," April 2021.; 2. Source: REN21, IEA, Global X ETFs, July 2021.

Sources: 1-2. IRENA, "Global Renewables Outlook: Energy Transformation 2050," April 2020.; 3-4. Energy Transitions Commission, "Making Mission Possible: Delivering a Net-Zero Economy," Sept. 2020.

Solar Power: The Future of Solar

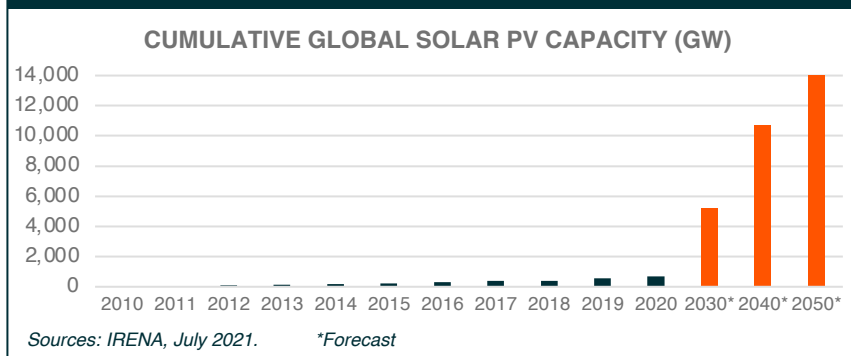
Innovations in solar technology could make the energy source more efficient, cheaper, and increasingly versatile. Such enhancements along with previously mentioned long term drivers could support rapidly increasing capacity.

Innovations

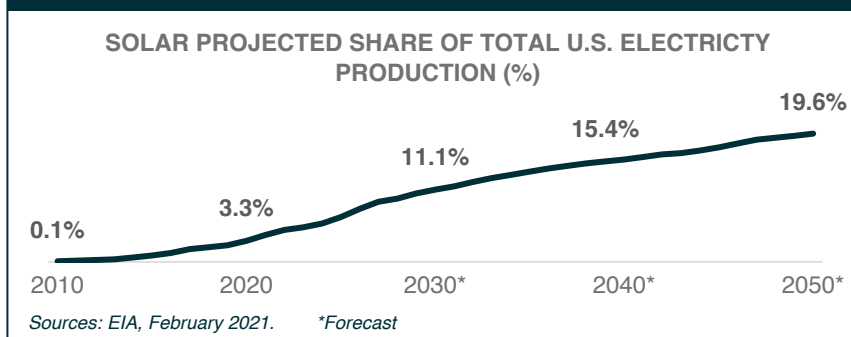
- **Multi-Junction Solar Cells:** Cells made up of multiple semiconducting materials improving efficiency by allowing absorbance of broader range of wavelengths
- **Thin Film Solar Cells:** Semiconducting materials printed on to surface with improved efficiency, flexible installation
- **Solar Windows:** Tinted windows that capture solar energy, with 5B+ m² of glass in U.S., could supply 40% of energy demands¹
- **Solar Paint:** Applied to the surface of buildings or vehicles to capture solar energy
- **Floating Solar Farms:** Installed on bodies of water with 5-15% greater efficiency due to water cooling²
- **Next-Gen Materials:** Modules built from new metals such as perovskite could be bigger, cheaper & more efficient than those made from silicon³
- **Advanced Operation:** Innovations ranging from robotic cleaning to data-driven failure prevention could cut down on maintenance and operating costs

The value of the global solar industry could exceed \$800B by 2028, growing at a 14.6% Compound Annual Growth Rate (CAGR) 2021-2028.⁴

INNOVATION & ACOMODATIVE POLICY COULD BOOST SOLAR CAPACITY MORE THAN 7X 2020 LEVELS BY 2030



THE U.S. COULD GENERATE ALMOST 20% OF ITS ELECTRICITY FROM SOLAR BY 2050



Sources: 1. Michigan State, "Transparent solar technology...", October 2017.; 2. EESI, "Floating a New Solution for Solar Deployment," March 2021. 3. Okinawa Institute Of Science And Technology, "Game-Changer in Future Solar Technology: New Perovskite Solar Modules With Greater Size, Power and Stability, January 2021. 4. Research Dive, "Solar Energy Market Report," June 2021.

Wind Energy: The Future of Wind Energy

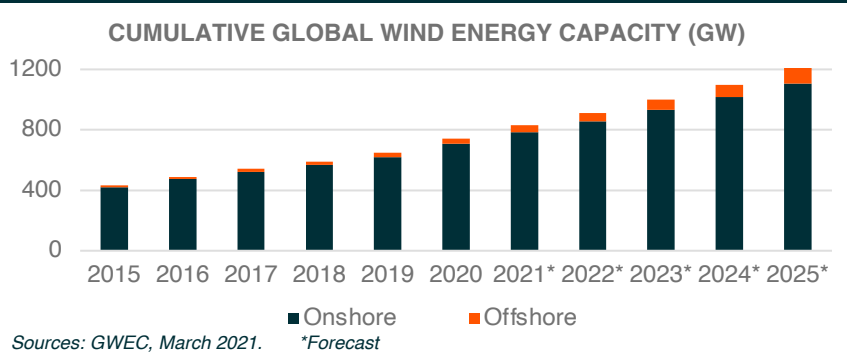
Innovations in wind technology could make the energy source more efficient, resilient and versatile as well as easier to install. Such enhancements along with previously mentioned long term drivers could support rapidly increasing capacity.

Innovations in Wind Energy

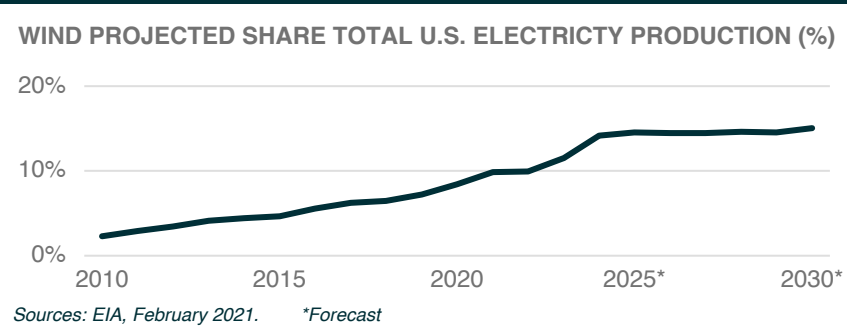
- **Advanced Materials:** Use of carbon fiber makes turbines stronger, slenderer, and up to 25% lighter¹
- **Larger Blades:** 206m diameter rotors can increase capacity factor by 10%, enabling low wind speed function²
- **Flexible Blades:** Allowing blades to bend increases blade endurance, helps overcome turbine delivery issues
- **Lightweight Generators:** Lighter weight generators impact tower construction and can reduce overall costs
- **Repair Robots:** Autonomous repair and inspection of turbines can improve operational logistics
- **Tower Engineering:** Hybrid steel/concrete towers with lattice base structure and tubular top
- **Next-gen Offshore:** Floating turbines & airborne/kite wind energy can capture powerful winds in even deeper waters

The value of the global wind industry could exceed \$180B by 2027, growing at a 4.6% Compound Annual Growth Rate (CAGR) from 2021-2027.³

INNOVATION & ACOMODATIVE POLICY COULD INCREASE WIND ENERGY CAPACITY 39% FROM 2020 LEVELS BY 2025



THE U.S. COULD GENERATE 15% OF ITS ELECTRICITY FROM WIND BY 2030



Sources: 1. U.S. Department of Energy, "Optimized Carbon Fiber Composites in Wind Turbine Blade Design," December 2019.; 2. U.S. Department of Energy, "Flexing the Limits of Land-Based Wind Turbine Rotor Growth," January 2021.; 3. Global Market Insights, "Wind Energy Market," April 2021.

Hydrogen: Storing Clean Power

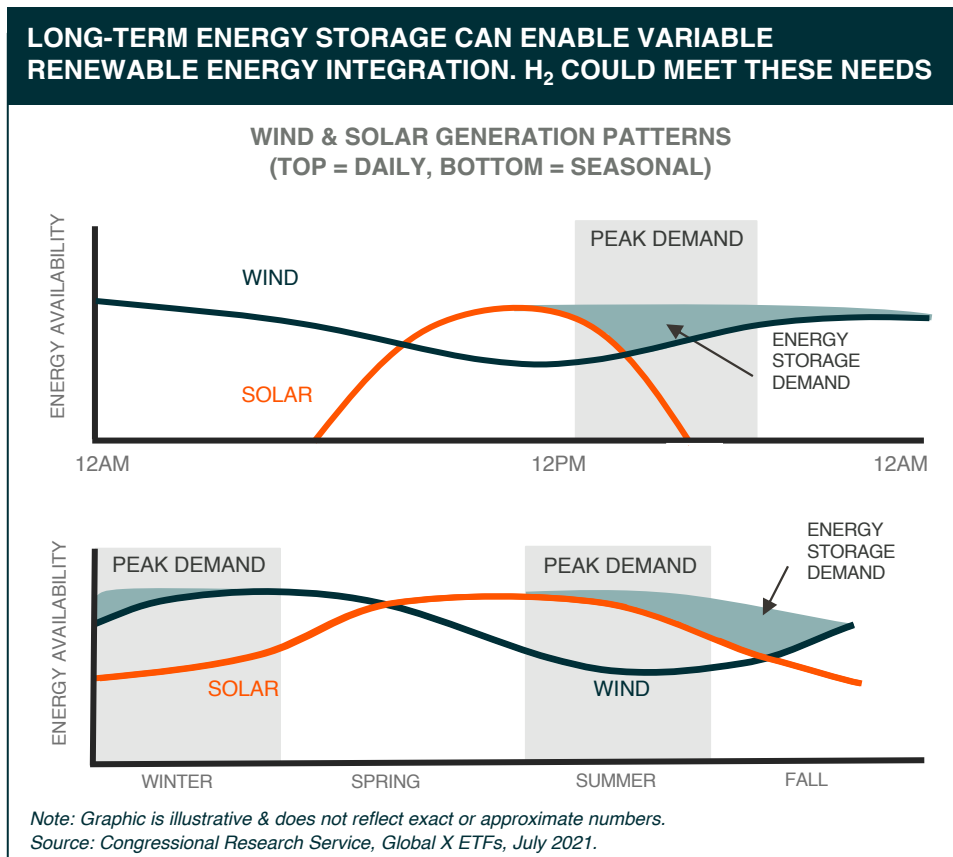
The lack of adequate energy storage threatens the flexibility of electrical grids worldwide and stalls the adoption of renewables. Electrolysis can provide indirect electricity in hydrogen, which can hold energy for extended periods of time.

Variable Renewable Energy

- **Storage Needs:** In most markets renewable energy production does not align with peak electricity demand¹
- **Limited Reach:** Achieving 80% clean power entails U.S. storage increasing 5x by 2050²

Hydrogen as a Solution

- **Storage Potential:** Electrolysis powered by excess renewable power will yield hydrogen preserving energy for later use with limited degradation
- **Indirect Electrification:** Using electricity as an input to industrial processes rather than the immediate replacement of fossil fuels
- **Limitations:** Current electrolysis is costly and inefficient while the infrastructure to incorporate hydrogen into needs building³

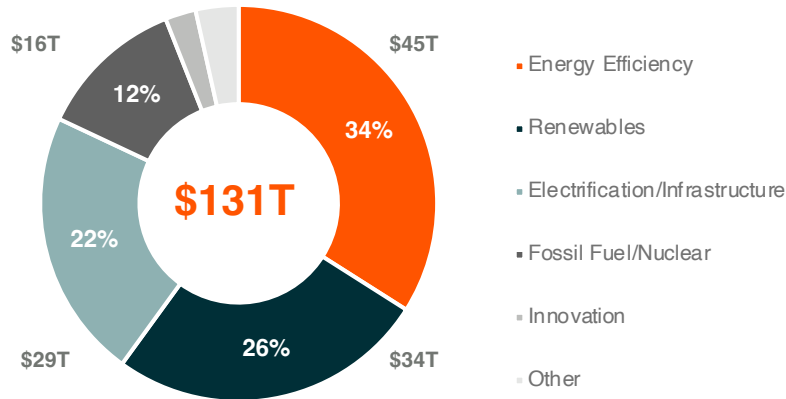


Sources: 1. Congressional Research Service, "Variable Renewable Energy: An Introduction," June 25, 2019.; 2. NREL, "Declining Renewable Costs Drive Focus on Energy Storage," Jan. 2020.; 3. IRENA, "Green Hydrogen Cost Reduction," 2020.

CleanTech/Renewables: Building Green Capacity

CLIMATE CHANGE MITIGATION EFFORTS REQUIRE SIGNIFICANT INVESTMENT IN CLEANTECH & RENEWABLE ENERGY CAPACITY

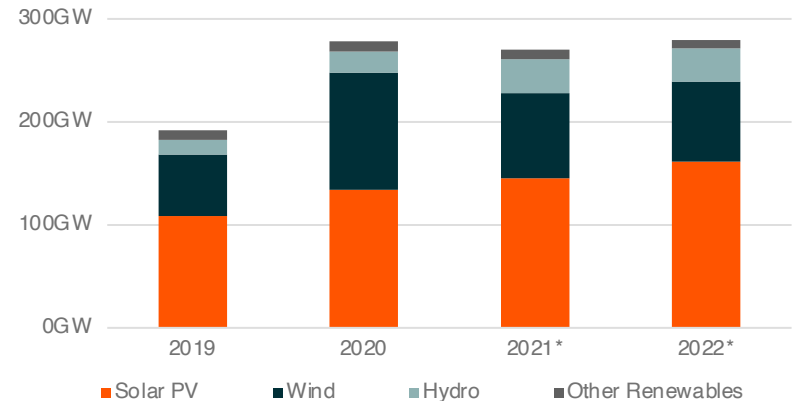
CUMULATIVE INVESTMENT NEEDED BETWEEN 2021 & 2050 (\$T)



Note: Investments needed to limit temperature increases to 1.5°C above preindustrial levels
 Source: IRENA, "World Energy Transitions Outlook," June 2021.

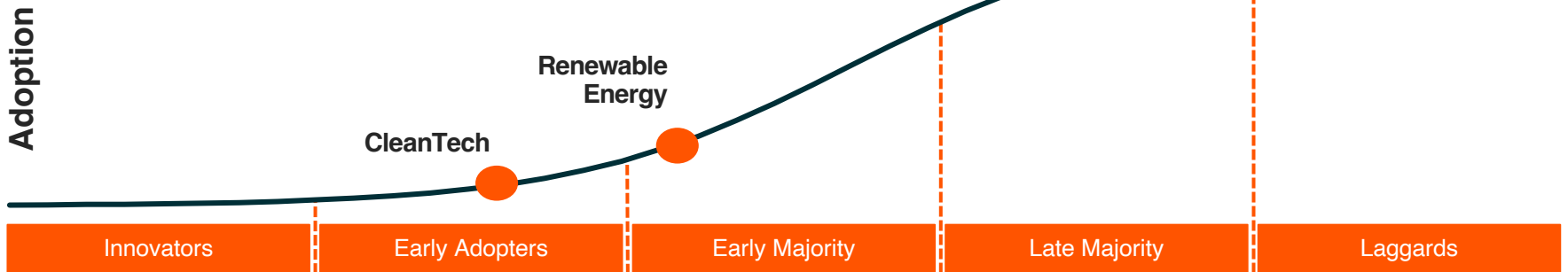
RENEWABLES COULD ACCOUNT FOR 90% OF TOTAL GLOBAL POWER CAPACITY INCREASES IN BOTH 2021 AND 2022

PROJECTED GLOBAL NET RENEWABLE CAPACITY ADDITIONS BY TECHNOLOGY (GW)



Source: IEA, May 2021.

Displayed for illustrative purposes. Curve shape not indicative of mathematical transformation.



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Thank you.

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Appendix

Global X Thematic Growth ETF Suite in UCITS

Global X has 16 ETFs designed to target companies that may benefit from disruptive structural changes in technology and innovation and people and demographics¹

Disruptive Technology

- Video Games & Esports UCITS ETF (HERU)
- Cloud Computing UCITS ETF (CLO)
- Robotics & Artificial Intelligence UCITS ETF (BOTZ)
- Cybersecurity UCITS ETF (BUG)
- Autonomous & Electric Vehicles UCITS ETF (DRVE)
- FinTech UCITS ETF (FINX)
- Internet of Things UCITS ETF (SNSR)
- Lithium & Battery Tech UCITS ETF (LITU)
- Data Center REITs & Digital Infrastructure UCITS ETF (VPN)

People & Demographics

- Telemedicine & Digital Health UCITS ETF (EDOC)
- Genomics & Biotechnology UCITS ETF (GNOM)
- E-commerce UCITS ETF (EBIZ)

Physical Environment

- U.S. Infrastructure Development UCITS ETF (PAVE)
- CleanTech UCITS ETF (CTEK)
- Renewable Energy Producers UCITS ETF (RNRG)
- Clean Water UCITS ETF (AQWA)
- Wind Energy UCITS ETF (WNDY)
- Hydrogen UCITS ETF (HYGN)
- AgTech & Food Innovation UCITS ETF (KROP)
- Solar UCITS ETF (RAYS)

¹As of 21/03/2022

Defining & Categorising Themes: Global X's Classification System

Category	Mega-Theme	Theme	Sub-Theme
Disruptive Technology	Big Data	Machine/Deep Learning	
		Cybersecurity	
		Quantum Computing	
	Mobility	Cloud/Edge Computing	Remote Work, MarTech
		Autonomous Vehicles	
	Digital Experiences	Electric Vehicles	Lithium/Batteries
		AR/VR	
		Video Games	E-sports
		Social Media	
	FinTech	Streaming	
		Mobile Payments	
		Peer-to-Peer Lending	
		Crowdfunding	
		Blockchain	
	Connectivity	Digital Infrastructure	
		5G/Next Gen Networking	
		Emerging Markets Internet	
		Internet of Things	Smart Devices, Smart Cities, IIoT
Space/Satellite Communications			
Robotics	AI/Automation		
	3D Printing		
	Drones		
People & Demographics	New Consumer	Millennials & Gen Z	
		Emerging Market Consumers	
		Urbanisation	
		E-commerce	
		Education	
		Sharing/Gig Economy	
		Safety and Security	
		Cannabis	
		Sports Betting	
		Professional Sports	
	Health	Healthcare Innovation	Telemedicine & Digital Health, Genomics, Immunotherapy, Public Health
		Aging Population	Senior Care, Senior Economy
		Health & Wellness	Obesity, Organics
Emerging Markets Healthcare			
Physical Environment	Climate Change	Alternative Medicine	
		CleanTech	
		Clean & Renewable Energy	Solar, Wind, Hydrogen
	Resource Scarcity	Water, Waste/Recycling, Rare Earths, Sustainable Food	
	Infrastructure Development		
Disruptive Materials			

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Minerva: Company Profile



Company Overview

Minerva is an independent provider of global research and proxy voting solutions.

Minerva works closely with institutional investors to support and enable their own unique vision of responsible investment through the provision of high-quality data and stewardship support services.

Minerva understands that in order to make sustainable stewardship into a concrete reality, institutional investors need high quality, actionable data and informed insights. The company, therefore, blends a deep knowledge of its clients' investing context alongside advanced skills and capabilities in the field of data science and knowledge management.

Minerva offers a suite of sustainability support services covering the following competencies and deliverables:

- Expert ESG data collection and analysis
- Governance, remuneration and sustainability analysis
- Vote agency administration services
- Comprehensive knowledge of global market voting procedures
- Post-event vote results, monitoring and reporting
- SDG and ESG framework alignment
- Sustainable stewardship and engagement services

Minerva ESG Nexus

Minerva ESG Nexus is a **modern, ESG** research and analysis framework which moves beyond traditional negative screening to combine a comprehensive range of regulation and investor-led ESG monitoring practices.

Based on the three pillars of 'products', 'conduct' and 'governance', the Minerva ESG Nexus framework offers a comprehensive, data-driven approach to embed the **UN Global Compact, UN Sustainable Development Goals** and **TCFD** recommendations into a range of investment activities.

Minerva Nexus allows investors to explicitly screen portfolios and companies based on clearly defined products and ESG criteria. Furthermore, investors can identify top performing or laggard companies on key topics such as executive remuneration, governance and/or sustainability, based on Minerva's tried and trusted objective rating system. As a basis for engagement and voting, indicators can be embedded in custom voting policies.

Rather than imposing a one-size-fits-all approach, Minerva Nexus allows users to explore a full range of topics and develop their own approach, confident that the data is objective and rigorous.

Minerva Nexus is, however, not merely an AI web-scraping technology solution. Expert analysis using trusted primary resources is central to the offering.

MINERVA: BETTER DATA. BETTER STEWARDSHIP.

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Minerva: ESG Screening

As part of the index methodology for the Solactive Clean Water index Minerva carries out two separate screens below:

Controversial Products:

A controversial products screen reviews companies on their involvement in controversial products. Each type of controversial product has different thresholds to identify involvement, which if reached, may warrant an exclusion.

Controversial products are those which pose a material risk due to a large portion of investors perceiving them as offensive, embarrassing, harmful, socially unacceptable, or ethically objectionable.

The following areas can be included in a controversial products ESG screen:

- **Weapons**
 - Controversial Weapons: Depleted Uranium, Nuclear Weapons, Cluster Munitions, Anti-Personal Mines, White phosphorus weapons and Military & tailor-made products for weapons.
 - Small Arms: Civilian firearms.
- **Energy**
 - Fossil Fuels: Coal, Conventional and Unconventional Oil & Gas
- **Controversial Activities**
 - Palm Oil
 - Prisons
 - Adult Entertainment
- **Public Health Concerns**
 - Recreational Cannabis
 - Tobacco
 - Alcohol

United Nations Global Compact:

This screen includes reviewing company adherence to the UN Global Compact Principles (UNGC).

The UNGC pillars are underpinned by Ten Principles which promote the integration of sustainable business practices and transparency.

8,000 companies and 4,000 non-business participants have become signatories to UN Global Compact.

Companies are screened under the following four pillars of the UNGC (including company supply chains):

- Human Rights
- Labour Rights
- Environmental Damage
- Anti-Corruption

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Minerva: United Nations Global Compact

Minerva references the United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises to assess the behaviour of companies.






In addition to looking at formal breach notifications, Minerva undertakes a comprehensive, expert research process using a range of primary and secondary sources including online media, NGO data, corporate disclosures and official government sources. Sources are screened weekly and detailed audit trails are kept over time.

There are four pillars that are reviewed as part of the UNGC screen: 1) Human Rights, 2) Environmental Damage, 3) Labour Rights and 4) Anti-Corruption.

Minerva has developed a Materiality tool which they use to carry out a review of a company including its supply chain. The Materiality tool allows for the categorisation of events and/or companies that may breach the above fundamental responsibilities.

The tool assesses potential UNGC breaches across two dimensions: Severity (Severe, High, Moderate, Minor) and Frequency.

Based on the determined severity and frequency of the breach, the company is given a score as shown in the Table below:

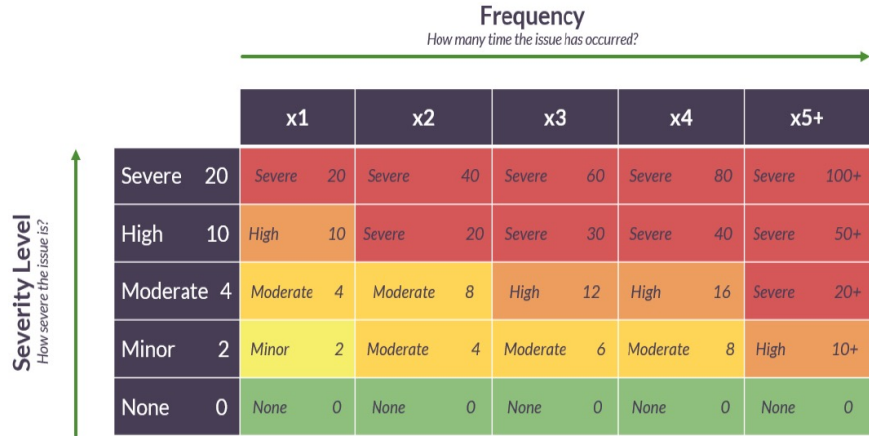
Severity Level		Definition	Score
	Severe	Indicates an action by a company that results in a severe impact on society and/or the environment. Events assigned to this category represent the most controversial corporate behaviour.	20
	High	Indicates an action by a company that results in a large impact on society and/or the environment	10
	Moderate	Indicates an action by a company that results in a moderate impact on society and/or the environment.	4
	Minor	Indicates an action by a company that results in low impact on society and/or the environment	2
	None	There is no evidence that a company is involved in any controversy.	0

Minerva: United Nations Global Compact

Minerva evaluates whether a company has taken the appropriate steps to remediate the identified issue going forward. To this end, the frequency of the alleged offence is objectively assessed in order to adjust the final severity level score which can be seen by the Severity-Frequency Matrix.

The decision for exclusion is based on relevance, frequency, the scope of the harm, the severity, the risk of recurrence and the irreversibility of the adverse impact caused by the company and by using Minerva’s predefined materiality framework to ensure consistency in the evaluation process.

Exclusion is applied where companies clearly fail to demonstrate change or improvements that can mitigate and/or prevent any adverse impact. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included, and an Observation score is applied accordingly.



Exclusions: any Company that receive a severity score of 20 (Severe) will be excluded from the Index. A severity level score of ‘Severe’ indicates an action completed by a company that has had a severe impact on society and/or the environment.

How supply chains are assessed:

- If there is violation in the supply chain of a company, there would be a ‘High’ Severity score of 10 applied. If a company has more than one incidence of a ‘High’ severity case, Minerva will increase their Severity Score to ‘Severe’ (as seen above). This then moves the company from an ‘Observation’ to an ‘Exclusion’.
- The multiplicative scoring system applies to multiple violations within the same UNGC pillar, i.e., two labour rights violations or two human rights violations. Please see the criteria below regarding the violation of UNGC principles in the supply chain:

Human rights:	Companies with confirmed violations in their supply chain.
Environmental Damage:	Companies with impactful environmental damage in their supply chain.
Labour Rights:	Companies with confirmed cases of labour rights violations in the supply chain.
Anti-corruption:	Companies associated with another company confirmed of bribery or corruption.

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Disclosures

The Global X Thematic Classification System is based on the expertise, views, and opinions of the Global X Thematic Classification Committee and are subject to change. Global X defines thematic investing as the process of identifying powerful disruptive macro-level trends and the underlying investments that stand to benefit from the materialisation of those trends. By nature, thematic investing is a long term, growth-oriented strategy, that is typically unconstrained geographically or by traditional sector/industry classifications, has low correlation to other growth strategies, and invests in relatable concepts.

The process of identifying themes consists of three inexorable principles:

- 1) There must be high conviction that the theme will materialise and have a meaningful impact on segments of the economy or markets. Often this is due to observable structural changes in technology, demographics, consumer behavior, or the physical environment, but can also be influenced by other factors.
- 2) A theme must be investable, meaning there are publicly traded companies that provide exposure to the concept. Ideally, the group of companies is broad, have high liquidity, and attribute a substantial portion of their business operations (revenues, assets, research & development) to the theme.
- 3) A theme must be expected to express itself over a medium to long-term time horizon, generally considered to be five years or longer. A longer-term time horizon makes market timing less of a factor in the success of identifying a theme.

Notably, and taking into consideration the principles above, Global X's thematic investing does not consist of ESG, values-based, or policy-driven strategies, unless they otherwise represent a disruptive structural trend (e.g. climate change). Further, funds that adhere to traditional sector or industry classifications, or that are used primarily to gain exposure to cyclical trends (e.g. currencies, valuations, inflation) are not considered thematic. Finally, alternative asset classes, such as listed infrastructure, MLPs, and ubiquitous commodities are not considered thematic. We recognise that these exclusions may differ from other third-party definitions of thematic investing, but it is consistent with, and core to, Global X's thematic classification system and process.

Based on the definition and principles of thematic investing above, Global X has established a thematic classification system that seeks to identify powerful themes and organise them by common traits and drivers. The system consists of four layers of classifications: 1) Categories; 2) Mega-Themes; 3) Themes; and 4) Sub-Themes, with each layer becoming sequentially narrower in its focus.

'Categories' is the broadest layer and represents three fundamental drivers of disruption: exponential advancements in technology (Disruptive Technology), changing consumer habits and demographics (People & Demographics), and the evolving physical landscape (Physical Environment). One layer down are 'Mega-Themes,' which serve as a foundation to multiple transformative forces that are causing substantial changes in a common area. Conceptually, Mega-Themes are a collection of more narrowly targeted Themes. For example, Big Data is a Mega-Theme that consists of Machine/Deep Learning, Cybersecurity, Quantum Computing, and Cloud/Edge Computing. Further down, we identify 'Themes' as the specific areas of transformational disruption that are driving technology forward, changing consumer demands, or impacting the environment. 'Sub-Themes' are more niche areas, such as specific applications of themes or upstream forces that are driving themes forward.

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