

Why EM Ex-China? Why EMM?



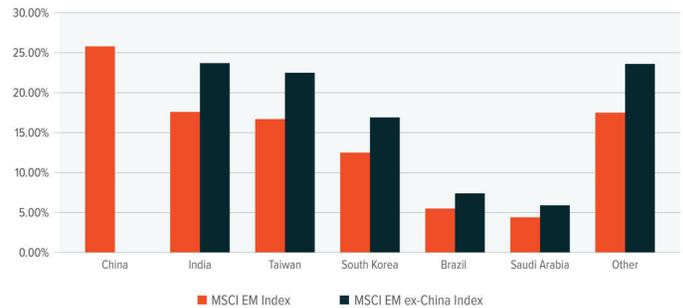
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On April 1, 2024, the Global X Emerging Markets ETF (EMM) was renamed the Global X Emerging Markets ex-China ETF. Given increased demand for an ex-China product, and the fact that Global X currently provides China exposure in the context of global emerging markets (EMs) via the Global X Emerging Markets Great Consumer ETF (EMC) and more directly via the Global X MSCI China Consumer Discretionary ETF (CHIQ), the firm has pivoted EMM into an EM ex-China strategy. The fund's investment objectives, process, and management team all remain the same.

Why Emerging Markets (EM) Ex-China?

- **Concentration:** With roughly 25% of market capitalization in the MSCI Emerging Markets Index, China is by far the largest country within the emerging markets asset class, and its exposure could grow even larger in the coming years.¹ China A-shares (shares that trade in mainland China on domestic exchanges) were included in the MSCI EM Index in 2018.² Currently, only 20% of A shares are included in the index's calculation.³ According to MSCI estimates, the full inclusion of A-shares (which may or may not occur in the future) could result in China representing around 40% of the EM Index.⁴
- **Demand:** The top-down factors impacting China's market over the past few years (increased regulatory measures, COVID-19 lockdowns, trade wars, geopolitical tensions, housing crisis, etc.) have led various allocators to focus on the other 23 countries within emerging markets (and far more when you include frontier markets).
- **Control:** We have found many investors prefer to control the size and allocation of their China exposure on their own. For example, one investor may want exposure to China Consumer, but no exposure to China Real Estate. By excluding China from EMM's investment strategy, the allocator can control his or her own China representation using other products.
- **India's Secular Story:** We believe India offers a strong secular growth story based on attractive demographics, a market friendly and democratically elected government, supply chain diversification out of China, a fast-growing consumer class, and more.
- **Tech Led Taiwan & Korea:** As developed markets digest potential "soft landings" and demand growth for artificial intelligence and technology continues to grow, we see significant opportunities for tech powerhouses in Taiwan and Korea to benefit.
- **The Middle East Transformation:** We anticipate steady growth opportunities based on favorable demographics, leading global energy producers, U.S. dollar pegs, a dynamic structural transition away from oil, and increasing trade with India.
- **Latin America's Cyclical Strength:** We see Latin America benefitting from prudent monetary policy, nearshoring, and significant contributions to global energy, agriculture, copper, and iron production.
- **Friendshoring:** From Mexico, to India, to Vietnam and Indonesia, countries within emerging markets are benefitting from a global trend of supply chain diversification out of China.
- **Stock Picking in Overlooked Opportunities:** Removing China creates capacity to focus on smaller, sometimes overlooked markets, such as Greece, Mexico, and countries in Southeast Asia.

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MSCI EMERGING MARKETS INDEX VS. MSCI EMERGING MARKETS EX-CHINA INDEX
 Sources: Global X ETFs with information derived from: MSCI. (2024, Feb 29). MSCI EM Index and MSCI EM ex-China Index Factsheets.



For illustrative purposes only. EMM is an actively managed fund and will deviate from its benchmark. Removing China creates capacity to focus on smaller, sometimes overlooked markets.

Why EMM?

- **Expertise:** Global X is a wholly owned subsidiary of Seoul-based Mirae Asset – a pioneer in Asian active asset management with over USD 500bn under management (as of September 30, 2023). EMM's investment team sits across both Asia and the Americas. The team speaks 11 unique languages and carries personal, academic, and professional experience across emerging markets.
- **A Client Friendly Structure:** EMM offers bottom-up active management with a competitive fee, along with the liquidity and transparency of the ETF structure.
- **Concentration:** Leveraging our expertise to focus on what we deem as the best opportunities in EM ex-China, while avoiding those we deem risky. "Diversification may preserve wealth, but concentration builds wealth."
 – Warren Buffett
- **Investment Philosophy:** We look for companies that are likely to benefit from both bottom-up and structural tailwinds, with moats helping them stand out from competition, management teams aligned with minority shareholders, and clear near- and long-term catalysts, exhibiting growth at a reasonable price characteristics. At the end of the day, we search for companies that we believe can consistently earn and compound returns above their costs of capital.
- **Investment Process:** A strict investment process based on a quantitative screen, sector specialists' stock analysis, and risk-adjusted portfolio construction.



Related ETF

EMM – Global X Emerging Markets ex-China ETF

FOOTNOTES

1. Bloomberg LP. Data as of March 12, 2024.
2. MSCI. (2018, Aug). MSCI China A Inclusion Index.
3. MSCI. Investing in China. Accessed on and as of March 13, 2024.
4. MSCI. (2018, Aug). MSCI China A Inclusion Index.

GLOSSARY

MSCI Emerging Markets Index The MSCI Emerging Markets Index seeks to capture large- and mid-cap representation across all 24 emerging market countries. As of February 29, 2024, the index held 1,440 constituents.

MSCI Emerging Markets ex-China Index The MSCI Emerging Markets ex-China Index seeks to capture large- and mid-cap representation in 23 of 24 EMs, excluding China. As of February 29, 2024, the index held 675 constituents.

This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any stock in particular. Some of the statements contained in this material may be forward-looking and contain certain risks and uncertainties.

Investing involves risk, including the possible loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from social, economic, or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume.

EMM is actively managed, which could increase its transaction costs (thereby lowering the fund's performance) and could increase the amount of taxes you owe by generating short-term gains, which may be taxed at a higher rate. As an actively managed fund, EMM does not seek to replicate a specific index. There can be no guarantee that active management strategies and processes will be successful.

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

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

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