



GLOBAL X ETFs RESEARCH

Global X Adaptive U.S. Factor ETF (AUSF): Quarterly Report as of November 2022

Authored by:
Yili Wu
Sustainable Investment
Strategist

Date: December 28, 2022
Topic: **Thematic**



Related ETFs

Please click below for fund holdings and important performance information.

[AUSF – Global X Adaptive U.S. Factor ETF](#)

We are excited to present the inaugural [Global X Adaptive U.S. Factor ETF \(AUSF\) Report](#). AUSF seeks to outperform traditional market capitalization weighted indexes by allocating across three factors – low volatility, value, and momentum – that have historically demonstrated advantages compared to broad benchmark indexes by tracking the Adaptive Wealth Strategies U.S. Factor Index. The Index utilizes dynamic factor allocation with the goal of low tracking error, minimal internal expenses, downside mitigation, and potential alpha generation within the ETF vehicle, potentially minimizing capital gains expenses. The three factors that the index dynamically allocates to are low volatility, value, and momentum.¹

Low volatility is derived from traditional “Modern Portfolio Theory” and the relationship between risk and return. Minimum volatility helps to provide potential stability and diversification inside of the factor adaptation model.

The Value factor is derived from the Fama and French model, suggesting that value stocks tend to outperform growth stocks overtime. Value has the tendency to revert to the mean, meaning that there are times when the value factor can both underperform and outperform.

Momentum is related to behavioral investing and implies that stocks that have recently outperformed will tend to continually outperform. Similarly to value, momentum tends to mean-revert and can outperform and underperform in different cycles.

By tracking the Adaptive Wealth Strategies U.S. Factor Index, AUSF utilizes dynamic factor allocation and either allocates to two of the three factors with a 50%/ 50% weighting, or all three factors with a weighting of 40% / 40% / 20% depending on the trailing returns of each factor.

November 2022

In November 2022, the Index allocated to a 50/ 50 split of the 2 factors: Momentum and Low Volatility. It is worth noting that the Index has been in this weighting position since the prior rebalance as well in August 2022.²

The overall index tracks sub-indices that represent the three factors. The Momentum factor, derived from the Solactive U.S. Large & Mid Cap Momentum 100 Index TR, contributed positively to AUSF’s 3-month performance, exhibiting a 10% factor return, and Low Volatility, tracked by the Solactive U.S. Large & Mid Cap Minimum Downside Volatility 100 Index TR, returned 0.7%, both performing positively over the time period. The Value factor, derived from the Solactive U.S. Large & Mid-Cap Index, had a 0% allocation during this time period.

Compared to the S&P 500 index, AUSF’s sector exposure was heavily tilted towards Healthcare (26%) and Energy (19%) and exhibited a lower relative sector exposure to Information Technology (10%). The Energy and Healthcare sectors contributed the most to the fund’s return at 3.52% and 1.18%



respectively. This is mostly attributed to the Momentum portion of the Index whose largest sector exposures were Energy (39%) and Healthcare (32%). The Low Volatility factor was also more tilted towards Healthcare (18%) as its largest sector exposure, but its exposure to Energy (0.88%) was minimal.

Footnotes

1. Caroll Financial, Adaptive Wealth Strategies U.S. Factor Index Methodology
2. Data from Solactive as of October 31, 2022

Glossary

Adaptive Wealth Strategies U.S. Factor Index: Designed to dynamically allocate across three sub-indices that provide exposure to U.S. equities that exhibit characteristics of one of three primary factors: value, momentum and low volatility. Each factor is represented by a sub-index that is derived from the Solactive U.S. Large & Mid Cap Index, which is designed to measure the 1,000 largest companies, by free float market capitalization, that are exchange-listed in the United States.

Solactive U.S. Large & Mid-Cap Index: Designed to measure the 1,000 largest companies, by free float market capitalization, that are exchange-listed in the United States.

Solactive U.S. Large & Mid Cap Momentum 100 Index TR: Designed to measure the performance of the 100 stocks in the Solactive U.S. Large & Mid Cap Index that exhibit the highest degree of relative performance.

Solactive U.S. Large & Mid Cap Minimum Downside Volatility 100 Index TR: Designed to measure the performance of the 100 stocks in the Solactive U.S. Large & Mid Cap Index that exhibit the lowest degree of downside volatility.

S&P 500 Index: Tracks the performance of 500 leading U.S. stocks and captures approximately 80% coverage of available U.S. market capitalization. It is widely regarded as the best single gauge of large-cap U.S. equities.

SEI Investments Distribution Co. (1 Freedom Valley Drive, Oaks, PA, 19456) is the distributor for the Global X Funds.

Investing involves risk, including the possible loss of principal. There is no guarantee that the Fund will achieve a high degree of correlation to the Adaptive Wealth Strategies® U.S. Factor Index, the Underlying Index, and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the Fund's ability to adjust its exposure to the required levels in order to track the Underlying Index. Indices are unmanaged and do not include the effect of fees, expenses or sales charges. One cannot invest directly in an index. Performance of companies in the financial sector may be adversely impacted by many factors, including, among others, government regulations, economic conditions, credit rating downgrades, changes in interest rates, and decreased liquidity in credit markets. AUSF is non-diversified.

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. Beginning October 15, 2020, market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates current NAV per share. Prior to October 15, 2020, market price returns were based on the midpoint between the Bid and Ask price. NAVs are calculated using prices as of 4:00 PM Eastern Time. The returns shown do not represent the returns you would receive if you traded shares at other times.

Since the Fund's shares did not trade in the secondary market until several days after the Fund's inception, for the period from inception to the first day of secondary market trading in Shares, the NAV of the Fund is used to calculate market 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 summary or full prospectuses, which are available at globalxetfs.com. Please read the prospectus carefully before investing.

Global X Management Company LLC serves as an advisor to Global X Funds. The Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Global X Management Company LLC or Mirae Asset Global Investments. Global X Funds are not sponsored, endorsed, issued, sold or promoted by Adaptive Wealth Strategies® (AWS), nor does AWS make any representations regarding the advisability of investing in the Global X Funds. Neither SIDCO, Global X nor Mirae Asset Global Investments are affiliated with AWS.

