GLOBAL X
by Mirae Asset

Inside the Index
PHLX US AI Semiconductor Index

CHPS
Global X Artificial Intelligence Semiconductor Index ETF

What You'll Learn:
1. What the index seeks to capture
2. The AI semiconductor value chain
3. What can be in the index
4. How the index is constructed and weighted

Additional Resources:
Fund Feature Sheet

Fund Holdings

Detailed Index Methodology

WHAT THE INDEX SEEKS TO CAPTURE
CHPS follows the PHLX US AI Semiconductor Index, which is designed to provide exposure to companies across the semiconductor value chain that are supporting AI-related applications.

The Index targets some of the large-cap global companies that design, manufacture, and distribute semiconductors across the value chain.

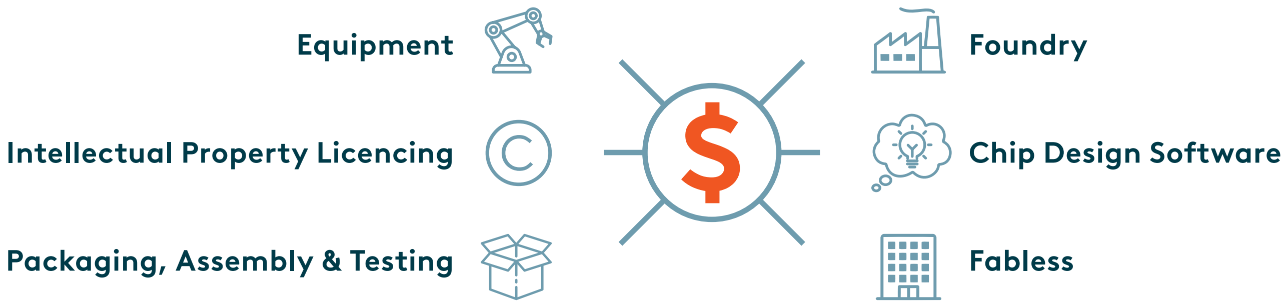
WHY THIS INDEX MATTERS
Semiconductors are powering the next generation of innovative tech
Semiconductors are at the heart of technological innovation and an increasingly important driver of global economic growth. Although leading semiconductor manufacturers often steal the spotlight, they represent only one part of a much larger value chain. CHPS offers investors access to the range of companies that are essential to the semiconductor ecosystem, offering the potential to capitalize on rising global demand for semiconductors.

The **PHLX US AI Semiconductor Index** is constructed to capture that by:

- Targeting up to 20 of the largest companies across the semiconductor value chain.
- Prioritizing companies that play critical roles in semiconductor design, manufacturing and infrastructure.
- Providing exposure across multiple stages of semiconductor development and production.

The result is a portfolio designed to give investors a way to directly participate in the rapidly expanding semiconductor market.

The Index provides exposure across multiple stages of semiconductor design and manufacturing:



THE AI SEMICONDUCTOR VALUE CHAIN

Companies must first fall within one of the subcategories below, with some exclusions.

Sub-Theme	Description
Equipment	Tools and machinery essential for ensuring precision, efficiency and quality in the manufacturing process. This includes production, testing and packaging of integrated circuits (ICs).
Fabless	Companies that focus on the design and development of integrated circuits (ICs) without owning or operating their own manufacturing facilities. This includes businesses that outsource the fabrication of their designed chips to specialized foundries, reducing capital expenditure and increasing flexibility. Companies in this category must generate revenue for AI accelerators (CPU, GPU, NPU, TPU, FPGA, ASIC) or network infrastructure. (Companies with Analog IC as their primary revenue source or classified as an Integrated Device Manufacturer (IDM) are excluded).
Intellectual Property Licencing & Chip Design Software	Intellectual Property (IP) and Electronic Design Automation (EDA) are essential components in the design and development of integrated circuits (ICs) and systems on chips (SoCs). IP refers to pre-designed, reusable blocks of logic or functions that can be licensed and integrated into IC designs. These IP blocks can significantly reduce development time and costs. Chip design software or EDA refers to software tools used to design, simulate, verify, and produce semiconductor devices. EDA tools are critical in managing the complexity of modern IC design. Companies in this category must be providing IP blocks for AI accelerators or interfaces for high-speed communications.
Packaging, Assembly & Testing	The final stages of semiconductor manufacturing, where individual semiconductor dies are assembled into usable packages, tested for functionality and reliability, and then prepared for shipment to customers. This process is crucial for ensuring the performance, durability, and reliability of semiconductor devices.
Foundry	Leading-edge factories that mass-produce chips based on the designs created using EDA tools. These companies use advanced technologies to produce chips with increasingly smaller transistor sizes, enhancing computational power and energy efficiency. (Companies without revenue from 7nm or smaller chip products or classified as an IDM – Integrated Device Manufacturer – are excluded).

WHO CAN BE IN THE INDEX

To be considered for inclusion, companies must be:

01 **Semiconductor-Focused**

Classified under one of the five AI semiconductor value chain sub-themes outlined above.

02 **Highly Liquid**

Each security must have a three-month average daily traded value of at least US$1 million.

03 **U.S.-Listed**

Securities must be listed on the Nasdaq or the New York Stock Exchange. Only one security, either common stock or American Depositary Receipt (ADR), is permitted per company.

04 **Recent Trading History**

To be eligible for initial index inclusion, a security must have been listed and available for trading on an eligible exchange for at least three full calendar months, not including the month of initial listing.

05 **Sufficiently Capitalized**

A minimum total market capitalization of US$300 million

06 **Pending Disqualifying Events**

At reconstitution, a security may be excluded if Nasdaq becomes aware it will soon undergo a fundamental change that would make it ineligible, such as a pending merger or acquisition agreement, or a bankruptcy filing.

HOW THE INDEX IS CONSTRUCTED AND WEIGHTED

All eligible securities in the AI semiconductor universe are ranked by market capitalization, with the 20 largest securities selected for inclusion in the index. In the event of a tie in the ranking, free float market capitalization will be used as the tiebreaker. The final number of constituents may be fewer than 20 if there are less than 20 eligible securities.

The index is reconstituted semi-annually and rebalanced quarterly.

Weighting Criteria
• Initial weights are determined by dividing each security's market capitalization by the aggregate market cap of all index securities.
• Then, adjustments may be made so that weights of the top 3 securities by market cap cannot exceed 20%, 17%, 15%, respectively.
• Individual weights of other securities cannot exceed 12%.
• If any security exceeds its prescribed weight, the excess weight is proportionally redistributed to the lower weighted securities based on market capitalization. This redistribution is done until all securities are at or below their respective weights.

INDEX MAINTENANCE

Other considerations and factors that could alter the index are outlined below.

Deletion Policy	If, at any time other than during a reconstitution, Nasdaq determines a security has or will undergo a change that would make it ineligible for inclusion, it will be removed. This could include a merger, acquisition, or other major corporate event that could affect the integrity of the index.
Corporate Actions	Between reconstitution and rebalancing days, securities may be subject to a variety of corporate actions and events that require maintenance and adjustments to the index, such as stock splits, spin-offs and M&A, among others. Specific treatment of each type of corporate action or event is described in the *Nasdaq Corporate Actions and Events Manual – Equities*. In certain cases, corporate actions and events are handled in accordance to the weighting scheme or other index-construction criteria.
Replacement Policy	Securities deleted at any time during the year, other than during reconstitutions, won't be replaced.
Index Share Adjustments	The index doesn't normally experience share adjustments between scheduled rebalancing and reconstitution events unless it's directly due to corporate actions, as outlined above.

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