Nasdaq 100 Index – Commentary

August 2023

Accessing Innovation in the US

Equities took a breather in August from the year-to-date rally as major indexes declined for the month. Utilities and Consumer Staples led the overall market down while Energy was the only sector with positive performance.

One of the catalysts for the selloff arrived on the second day of trading in August with the announcement of the most recent change in the ADP National Employment Report for the United States. This report shows the change in the number of employees on non-farm business payrolls. While the expectation was 192k jobs added, the actual number was reported at 324k. While this was positive for the US employment picture, investors interpreted this as a sign the economy was not cooling at a pace to prevent the Federal Open Market Committee (FOMC) from increasing the target Fed Funds Rate. This caused equities to fall and interest rates to rise. A few days later, the new US unemployment rate was reported and came in at 3.5%, below the 3.6% expectation. This was another data point where “good news was bad news” and added to the fear of another rate hike in the future.

At the annual Jackson Hole Economic Symposium, Jerome Powell reinforced the messaging he has delivered at previous FOMC meetings: the economy continues to grow as measured by GDP, inflation remains too high and must get down to 2% and employment needs to cool. Growth data, combined with a still high inflation number, led Powel to conclude that further interest rate hikes may be needed.

The Consumer Price Index (CPI) reading for July was also announced and showed inflation increasing at a rate of 3.2% on a year-over-year basis. This was lower than the 3.3% expectation from analysts. The month-over-month was in line with the 0.2% estimate, or an annualized rate of 2.4%. The components that contributed to the increase in the month-over-month number was a rise to the cost of services, followed by food and then energy. Year-over-year Core CPI, which excludes the costs of food and energy, also met expectations, and was reported at 4.7%. While the 3.2% reading was in line with what analysts were anticipating, it did raise concerns that the downward trend of inflation we have seen may be stalling.

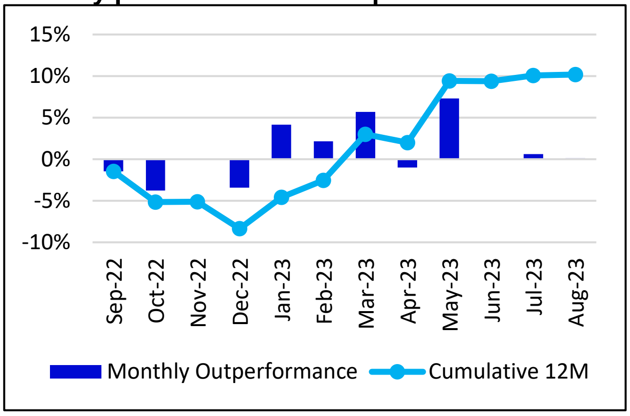
Index performance

	1 Month	YTD	1 Year	10 Years (CAGR)
NASDAQ-100	-1.5%	42.3%	27.1%	18.4%
S&P 500	-1.6%	18.3%	15.3%	12.2%
Relative	0.1%	20.2%	10.2%	5.6%

Source: Bloomberg as of 31 August 2023. An investment cannot be made directly into an index.

Past performance may or may not be sustained in future.
Disclaimer: Returns less than 1 year are absolute returns and more than 1 year are Compounded Annualized Growth rate (CAGR) for Benchmark Indices. The same are for the illustration purpose only and should not be construed as investment advice. It does not in any manner imply or suggest the performance of any schemes of Invesco Mutual Fund.

Monthly performance Nasdaq-100 vs. S&P 500



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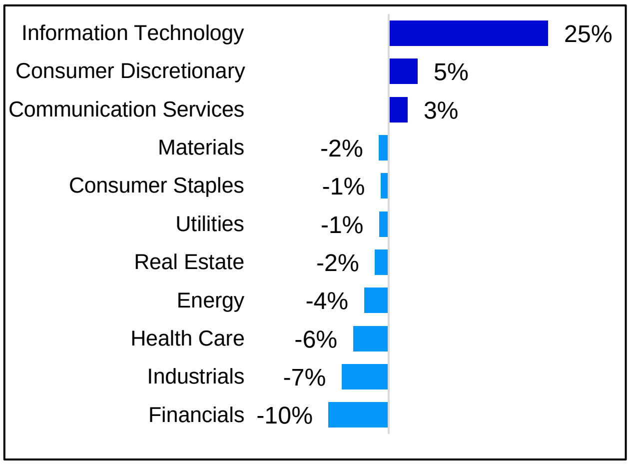
Sector weightings Nasdaq-100 vs. S&P 500



Source: Invesco, FactSet, as of 31 August 2023. Data in USD

Disclaimer: The sectors referred above should not be construed as recommendations, advice to buy, sell or in any manner transact in the sector and neither should it be considered as Research Report from Invesco Asset Management (India) Private Limited and/or Invesco Mutual Fund.

Nasdaq 100 Performance Drivers

August performance attribution of the Nasdaq 100 vs. the S&P 500 Index

For the month of August, the Nasdaq 100 Index (NDX) returned -1.5%, outperforming the S&P 500 Index, which returned -1.6%. From a sector perspective, Telecommunications, Health Care and Consumer Discretionary were the best performing sectors in NDX and returned 4.95%, -0.60% and -0.93%, respectively. During the month, these three sectors had average weights of 5.37%, 7.11% and 18.79%, respectively. The bottom performing sectors in NDX were Consumer Staples, Industrials and Utilities with average weights of 4.40%, 4.88% and 1.24%, respectively. Consumer Staples returned -4.24%, Industrials returned -3.47% while Utilities returned -3.16%.

NDX's outperformance vs. the S&P 500 was largely driven by its overweight exposure in the Telecommunications sector. The index's lack of exposure to Financials also contributed to relative performance. NDX's differentiated holdings in the Consumer Discretionary sector was the third largest contributor to relative performance vs. the S&P 500. The Technology sector detracted the most from relative performance and was driven by its differentiated holdings. Industrials and Energy also detracted from relative performance, both driven by underweight exposure and differentiated holdings, when compared to the S&P 500.

August Attribution: Nasdaq 100 vs. S&P 500

	Nasdaq 100				Nasdaq 100 vs. S&P 500 Attribution		
(%)	Average Weight	Avg Wt Difference vs. S&P 500	Sector Return	Sector Contribution	Allocation Effect	Selection Effect	Total Effect
Technology	56.98	25.39	-1.94	-1.11	0.04	-0.28	-0.24
Industrials	4.88	-7.38	-3.47	-0.17	-0.03	-0.11	-0.14
Energy	0.68	-3.86	-2.27	-0.02	-0.10	-0.02	-0.13
Health Care	7.11	-5.76	-0.60	-0.04	-0.07	-0.01	-0.08
Consumer Staples	4.40	-1.13	-4.24	-0.20	0.03	-0.01	0.02
Basic Materials	0.27	-1.53	-1.76	--	0.02	--	0.03
Real Estate	0.28	-2.19	-2.36	-0.01	0.03	0.00	0.03
Utilities	1.24	-1.50	-3.16	-0.04	0.07	0.04	0.10
Consumer Discretionary	18.79	4.68	-0.93	-0.19	-0.01	0.15	0.14
Financials	N/A	-9.72	N/A	N/A	0.17	N/A	0.17
Telecommunications	5.37	3.01	4.95	0.27	0.20	-0.02	0.18
Total	**100.00**	**N/A**	**-1.50**	**-1.50**	**0.35**	**-0.26**	**0.09**

Source: Invesco as of 31 August 2023. Data in USD. Sectors: ICB Classification. All figures in percentage terms. Market allocation effect shows the excess contribution due to sector/market allocation. A positive allocation effect implies that the choice of sector weights in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. Selection effect shows the excess contribution due to security selection. A positive selection effect implies that the choice of stocks in the portfolio added value to the portfolio contribution with respect to the benchmark and vice versa. Total effect is the difference in contribution between the benchmark and portfolio.

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August's Top Contributors/Detractors relative to the S&P 500

Top Contributors (% of total net assets)		
Company	**Weight**	**1-month return**
Cisco Systems	1.86%	10.20%
Nvidia	4.37%	5.62%
Amazon.com	5.44%	3.24%

Top Detractors (% of total net assets)		
Company	**Weight**	**1-month return**
Apple	11.17%	-4.24%
Meta Platforms	3.65%	-7.13%
Qualcomm	1.08%	-12.73%

Source: Bloomberg, as of 31 August 2023. Top and bottom performers for the month by relative performance. Holdings are subject to change and are not buy/sell recommendations.

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Historical Performance

	Aug-13 to Aug-14	Aug-14 to Aug-15	Aug-15 to Aug-16	Aug-16 to Aug-17	Aug-17 to Aug-18	Aug-18 to Aug-19	Aug-19 to Aug-20	Aug-20 to Aug-21	Aug-21 to Aug-22	Aug-22 to Aug-23	2021 to 2022	2020 to 2022
NASDAQ-100 Net Total Return Index	34.1%	5.5%	12.6%	26.5%	28.7%	1.2%	58.5%	29.3%	-20.8%	27.1%	-32.6%	8.4%
S&P 500 Net Total Return Index	24.5%	-0.1%	11.8%	15.5%	19.0%	2.3%	21.2%	30.6%	-11.6%	15.3%	-18.5%	7.1%

Source: Invesco, Bloomberg, as of 31 August 2023. Data in USD. For 2021 to 2022, performance shown is from 01 January 2021 to 31 December 2022 and for 2020 to 2022, compounded annual growth rate (CAGR) performance shown is from 01 January 2020 to 31 December 2022. An investment cannot be made into an index.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.