

## Accessing Innovation in the US

Growth-focused equities were front and centre for the month of May as companies involved in the development of artificial intelligence (AI) announced earnings and growth potential in the technology. There was a large disparity in returns between value companies, companies that have lower relative valuation metrics such as price-to-earnings ratio, and growth companies, companies that may have a higher valuation but have the potential for higher growth rates. Although the broader market's return was positive for the month, uncertainty was elevated as market breadth was thin, a measure showing how many stocks are participating in the current market move, inflation rose and the expectation for another Federal Reserve (Fed) rate hike was brought into question.

Recent focus has been on companies developing generative AI, AI that can create images, text, video, audio and more. Some investors have started to look towards semiconductor companies that create the hardware and datacentres that power AI. Concerns were raised around returns of the market being driving by a handful of stocks. Market breadth was low and at levels not seen since 2007. Within the S&P 500, the top four largest stocks account for 270% of the index's return.

The Consumer Price Index (CPI), a common measure of inflation, was reported on May 10<sup>th</sup> and the year-over-year reading came in at 5.0%, higher than the 4.9% estimate. The inflation reading excluding food and energy came in as expected at 5.5%. The April reading of the FOMC's preferred inflation reading, Personal Consumer Expenditures (PCE), rose more than expected with a 4.4% year-over-year reading. This was higher than 4.3% expectation from analysts. There have now been three out of the four PCE readings for 2023 that have come in higher than expected. Moreover, the 4.4% reading for April was higher than the previous months of 4.2%. These readings raised concerns of inflation potentially rising in the future, or at the very least, remaining higher for longer.

The elevated inflation readings, combined with unemployment remaining near all-time lows, lead investors to believe that the possibility of another rate hike at the June 14<sup>th</sup> FOMC meeting was higher than initially expected.

## Index performance

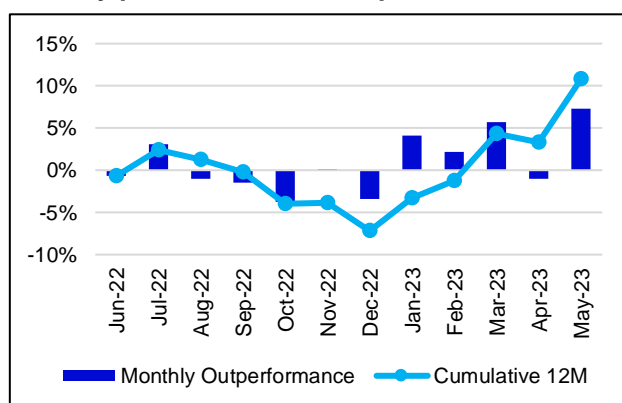
	1 Month	YTD	1 Year	10 Years (CAGR)
<b>NASDAQ-100</b>	7.7%	30.6%	13.5%	17.8%
<b>S&amp;P 500</b>	0.4%	9.4%	2.4%	11.4%
<b>Relative</b>	7.3%	19.4%	10.8%	5.8%

Source: Bloomberg as of 31 May 2023.

**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

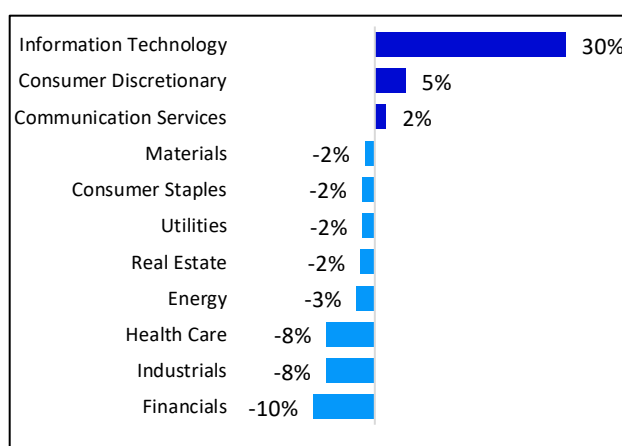


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## Sector weightings Nasdaq-100 vs. S&P 500



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

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## Nasdaq 100 Performance Drivers

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

For the month of May, the Nasdaq 100 Index (NDX) returned 7.7%, outperforming the S&P 500 Index, which returned 0.4%. From a sector perspective, Technology, Consumer Discretionary and Real Estate were the best performing sectors in NDX and returned 11.83%, 8.40% and 3.18%, respectively. The bottom performing sectors in NDX were Industrials, Utilities and Health Care returning -4.85%, -4.62% and -4.50%.

NDX's outperformance vs. the S&P 500 was largely driven by its overweight exposure and differentiated holdings in the Technology sector. The Index's overweight exposure and differentiated holdings in the Consumer Discretionary sector also contributed to relative performance. Although six out of the ten sectors that have representation in NDX had negative performance for the month of May, the Index's overweight exposure in the Telecommunications sector was the only detractor to relative performance vs. the S&P 500.

### May Attribution: Nasdaq 100 vs. S&P 500

Nasdaq 100	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
(%)							
Communication Services	4.39	1.92	-2.20	-0.11	-0.09	0.08	-0.01
Real Estate	0.23	-2.34	3.18	0.01	0.11	0.02	0.13
Utilities	1.12	-1.96	-4.62	-0.06	0.12	0.01	0.13
Basic Materials	0.23	-1.63	0.02	--	0.14	0.02	0.16
Consumer Staples	4.10	-1.96	-3.79	-0.15	0.14	0.10	0.23
Industrials	4.65	-7.57	-4.85	-0.25	0.31	-0.07	0.24
Health Care	6.06	-7.57	-4.50	-0.30	0.38	-0.02	0.36
Financials	N/A	-9.77	N/A	N/A	0.46	N/A	0.46
Energy	0.56	-4.01	-3.98	-0.03	0.43	0.03	0.47
Consumer Discretionary	18.46	4.76	8.40	1.54	0.06	1.23	1.29
Technology	60.20	30.12	11.83	7.08	2.92	0.91	3.84
<b>Total</b>	<b>100.00</b>	<b>N/A</b>	<b>7.73</b>	<b>7.73</b>	<b>4.98</b>	<b>2.32</b>	<b>7.30</b>

Source: Invesco as of 31 May 2023. Data in USD. The Index and Fund use the Industry Classification Benchmark ("ICB") classification system which is composed of 11 economic industries: basic materials, consumer discretionary, consumer staples, energy, financials, health care, industrials, real estate, technology, telecommunications, and utilities. FactSet shows GICS sectors which recognized the reclassification of Fiserv and PayPal to Financials on March 20, 2023.

**Past performance may or may not be sustained in future.**

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

Top Contributors (% of total net assets)			Top Detractors (% of total net assets)		
Company	Weight	1-month return	Company	Weight	1-month return
Nvidia	5.66%	36.34%	Starbuck	0.90%	-14.14%
Amazon	6.54%	14.35%	PayPal	0.55%	-18.43%
Microsoft	13.34%	7.11%	PepsiCo	1.95%	-4.47%

Source: Bloomberg, as of 31 May 2023. Top and bottom performers for the month by relative performance.

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### Historical Performance

	May-13 to May-14	May-14 to May-15	May-15 to May-16	May-16 to May-17	May-17 to May-18	May-18 to May-19	May-19 to May-20	May-20 to May-21	May-21 to May-22	May-22 to May-23	2021 to 2022	2020 to 2022
<b>NASDAQ-100 Net Total Return Index</b>	26.6%	21.6%	1.3%	29.0%	21.3%	3.1%	35.0%	44.0%	-7.2%	13.5%	-32.6%	27.4%
<b>S&amp;P 500 Net Total Return Index</b>	19.7%	11.1%	1.0%	16.7%	13.7%	3.2%	12.2%	39.6%	-0.7%	2.4%	-18.5%	23.0%

Source: Invesco, Bloomberg, as of 31 May 2023. Data in USD.

For 2021 to 2022, performance shown is from 01 January 2021 to 31 December 2022 and for 2020 to 2022, performance shown is from 01 January 2020 to 31 December 2022.

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