

May 2023

Accessing Innovation in the US

Growth-focused equities were front and center 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 driven 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 10th 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 14th FOMC meeting was higher than initially expected.

Index performance

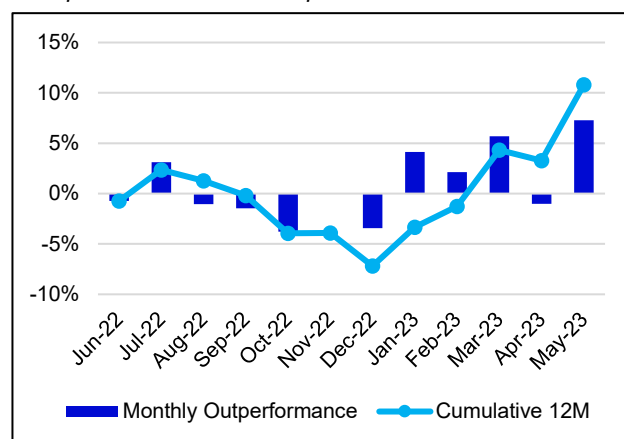
Past performance does not predict future returns

	1m	YTD	1y	10Y (ann.)
NASDAQ-100	7.7%	30.6%	13.5%	17.8%
S&P 500	0.4%	9.4%	2.4%	11.4%
Relative	7.3%	19.4%	10.8%	5.8%

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

Monthly performance Nasdaq-100 vs. S&P 500

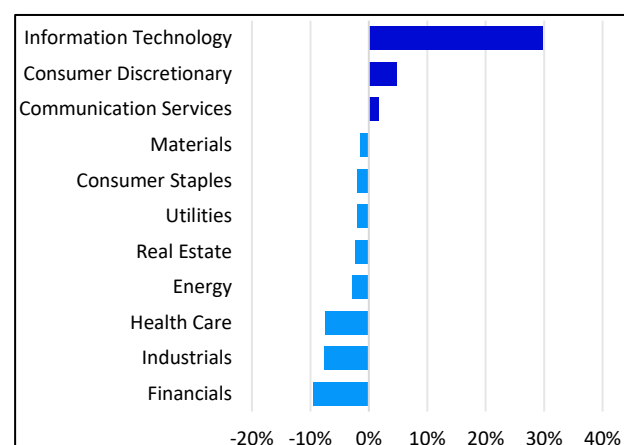
Past performance does not predict future returns



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

Sector weightings Nasdaq-100 vs. S&P 500

Whilst the Nasdaq-100 specifically excludes Financials (incl. Real Estate), it also currently offers no exposure to Materials or Energy



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

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 the 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
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
Total	100.00	N/A	7.73	7.73	4.98	2.32	7.30

Data: Invesco, FactSet, 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 20th.

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-mo. Return	Company	Weight	1-mo. 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. Past performance does not predict future returns. Top and bottom performers for the month by relative performance.

Historical Performance

Past performance does not predict future returns

	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	2022	2020 to 2022
NASDAQ-100 Net Total Return Index	26.6%	21.6%	1.3%	29.0%	21.3%	3.1%	35.0%	44.0%	-7.2%	13.5%	-32.6%	27.4%
S&P 500 Net Total Return Index	19.7%	11.1%	1.0%	16.7%	13.7%	3.2%	12.2%	39.6%	-0.7%	2.4%	-18.5%	23.0%

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

Investment Risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

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