

Market Recap

Equity buyers continued to move into market in December has the S&P 500 closed the year at levels not seen since January of 2022. The Nasdaq 100 Index (NDX) finished the year at levels last seen in December of 2021 and just lower than the all-time highs. The market saw a broadening of performance as smaller companies outperformed with the Russell 2000 (Small Cap Index) returning 12.22%. This was the best monthly performance for the Small-Cap index since April of 2020. Primary macro-economic drivers for the month's performance were the final Federal Open Market Committee (FOMC) meeting, favourable inflation readings and falling interest rates.

The final FOMC meeting took place on December 12th and 13th proved to be the primary catalyst for investors during the month. As expected, the FOMC kept the target rate range at 5.25% - 5.50%. The overall interpretation of the meeting by investors was a dovish tone and that the current rate hiking cycle may be finished. The FOMC's Summary of Economic Projections (SEP) revealed that the median projection of the Fed Funds rate for June 2024 fell to 4.6%¹. Said another way, there is potential for three 0.25% rate cuts in 2024. This median estimate of the target rate was lower from the November meeting's SEP and caused interest rates to fall and equities to rise. Moreover, Jerome Powell stated during the press conference that cutting interest rates "begins to come into view" and was a topic of discussion at the December meeting.

Powell also commented on the current job market stating that "It's been a good time for workers to find jobs and get solid wage increases." Data released from the US Bureau of Labor Statistics has shown month-over-month additions of nonfarm payrolls remain positive, with the November reading showing 199k jobs added. Likewise, ADP data has also shown jobs have been added with its most recent reading of 103k.

The November year-over-year Consumer Price Index (CPI) reading came in as expected at 3.1%. This was slightly lower than the 3.2% reading from the month before. This continued the downward trend seen since the July of 2022. The increase in the cost of services continued to be the primary component of year-over-year inflation while the cost of energy fell. Month-over-month CPI was 0.1% and saw decreases in the costs of core goods and energy but were offset by rising costs in services and food.

Index performance

Past performance does not predict future returns

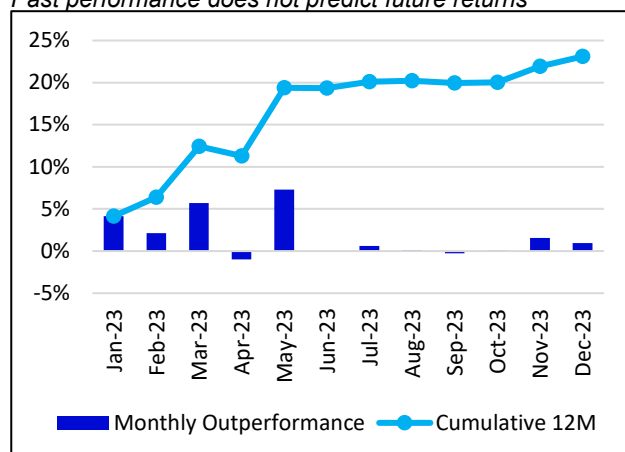
	1m	YTD	1y	10Y (ann.)
NASDAQ-100	5.5%	54.7%	54.7%	17.5%
S&P 500	4.5%	25.7%	25.7%	11.4%
Relative	1.0%	23.1%	23.1%	5.5%

Source: Bloomberg as of 31 Dec 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

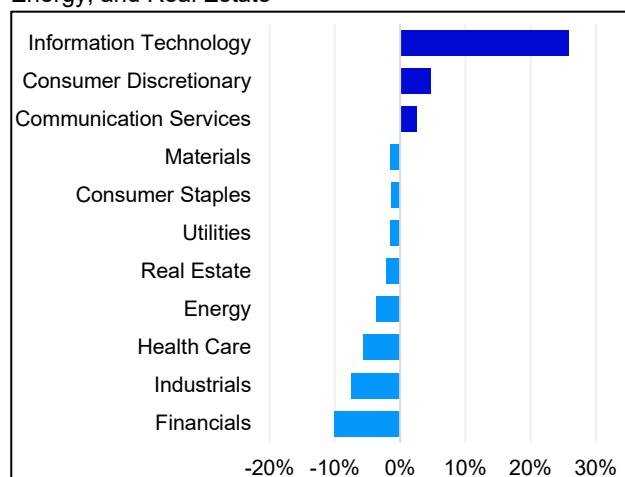


Source: Bloomberg as of 31 Dec 2023.

An investment cannot be made directly into an index.

Sector weightings Nasdaq-100 vs. S&P 500

Whilst the Nasdaq-100 specifically excludes Financials, it also currently offers very little exposure to Basic Materials, Energy, and Real Estate



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

Nasdaq 100 Performance Drivers

December's performance attribution of the Nasdaq 100 (NDX) vs the S&P 500 Index

From a sector perspective, Health Care, Basic Materials and Technology were the best performing sectors in NDX and returned 10.66%, 8.68% and 5.55%, respectively. During the month, these three sectors had average weights of 6.58%, 0.29% and 58.41%, respectively. The bottom performing sectors in NDX were Utilities, Consumer Staples and Communication Services with average weights of 1.20%, 4.06% and 4.90%, respectively. Utilities returned -1.45%, Consumer Staples returned 3.55% while Communication Services returned 4.41%.

NDX's outperformance vs. the S&P 500 was driven by its differentiated holdings in the Technology sector. The index's underweight exposure and differentiated holdings in the Health Care sector, along with its underweight exposure and differentiated holdings to the Energy sector also contributed to relative performance vs. the S&P 500. The Industrials sector detracted the most from relative performance and was driven by its underweight exposure and differentiated holdings. Lack of exposure to the Financials sector along with underweight exposure and differentiated holdings in the Real Estate sector also detracted from relative performance to the S&P 500.

NDX Contributor/Detractor Spotlight: Apple's stock underperformed during the month of December despite heating a new all-time high per share price during the month. The company was faced with increasing usage bans by Chinese state-run firms and government departments of their iPhone. This headwind was also raised earlier in the quarter and raised concerns of the sales in the region of their new iPhone 15 models. Apple was also forced to temporarily remove the new Apple Watch models from their stores over a ruling by the International Trade Commission which surrounded a dispute about a potential patent infringement of the blood oxygen sensor.

December 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
Industrials	4.71	-7.47	5.22	0.24	-0.15	-0.06	-0.22
Financials	N/A	-10.04	N/A	N/A	-0.12	N/A	-0.12
Real Estate	0.28	-2.22	5.24	0.01	-0.09	-0.01	-0.10
Consumer Discretionary	18.99	4.62	5.04	0.95	0.06	-0.15	-0.09
Utilities	1.20	-1.43	-1.45	-0.02	0.04	-0.04	-0.01
Basic Materials	0.29	-1.48	8.68	0.02	0.01	0.01	0.02
Communication Services	4.90	2.62	4.41	0.21	-0.05	0.09	0.04
Consumer Staples	4.06	-1.04	3.55	0.15	0.04	0.09	0.14
Energy	0.55	-3.51	5.22	0.03	0.15	0.03	0.18
Health Care	6.58	-5.41	10.66	0.69	0.02	0.43	0.45
Technology	58.41	25.36	5.55	3.26	-0.10	0.84	0.74
Total	100.00	N/A	5.56	5.56	-0.21	1.22	1.01

Data: Invesco, FactSet, as of 31 Dec 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.

December'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
Broadcom Inc.	3.67%	21.14%	Microsoft	9.43%	-0.76%
Advanced Micro Devices	1.72%	21.67%	Adobe	2.19%	-2.36%
Costco Wholesale Group	2.25%	13.87%	Apple	10.31%	1.36%

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

Historical Performance

Past performance does not predict future returns

	Dec-13 to Dec-14	Dec-14 to Dec-15	Dec-15 to Dec-16	Dec-16 to Dec-17	Dec-17 to Dec-18	Dec-18 to Dec-19	Dec-19 to Dec-20	Dec-20 to Dec-21	Dec-21 to Dec-22	Dec-22 to Dec-23	2023	2021 to 2023
NASDAQ-100 Net Total Return Index	18.9%	9.3%	6.8%	32.5%	-0.3%	39.0%	48.5%	27.2%	-32.6%	54.7%	54.7%	32.7%
S&P 500 Net Total Return Index	13.0%	0.7%	11.2%	21.1%	-4.9%	30.7%	17.8%	28.2%	-18.5%	25.7%	25.7%	31.2%

Data: Invesco, Bloomberg, as of 31 Dec 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.

Investments focused in a particular sector, such as technology, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

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