

Trending with the Internet

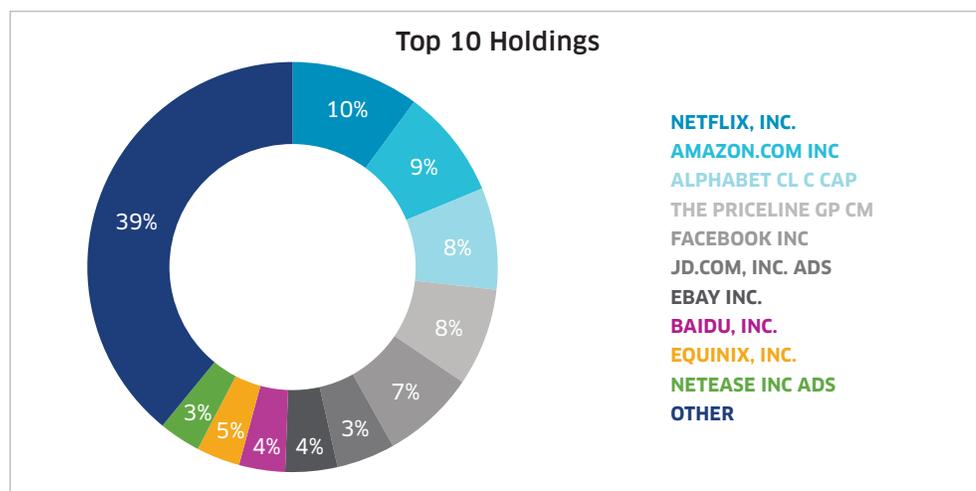
A look at the composition of the changing internet landscape

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Take a look at the majority of schools, offices or homes in the U.S. and they are going to have at least one thing in common, they have a digital screen. It does not matter the age, demographics or geographic location. Electronic devices and the usage of the internet has taken hold of the globe according to a research done by Internet World Stats. At the start of 2018, 54.4% utilizes the internet, with the highest penetration rates in North America and Europe. The largest number of users however is in Asia, with approximately 2.02 billion users or about 48.7% of the total number of internet users. Since the turn of the century internet usage across the globe has increased over 1,000% with the largest growth coming from developing regions. This screen time is split between a multitude of industries including e-commerce, education and entertainment, to name a few.

Nasdaq Internet Index (QNET)

The Nasdaq Internet Index seeks to track companies that are leveraging or support the explosive usage of internet and the growth of the “e-company.” The most popular names in the index continue to be the FANG’s (Facebook, Amazon, Netflix, and Google/Alphabet).

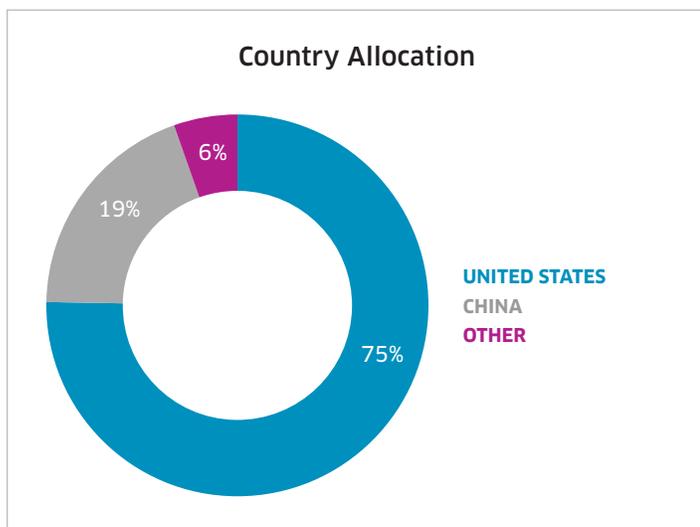
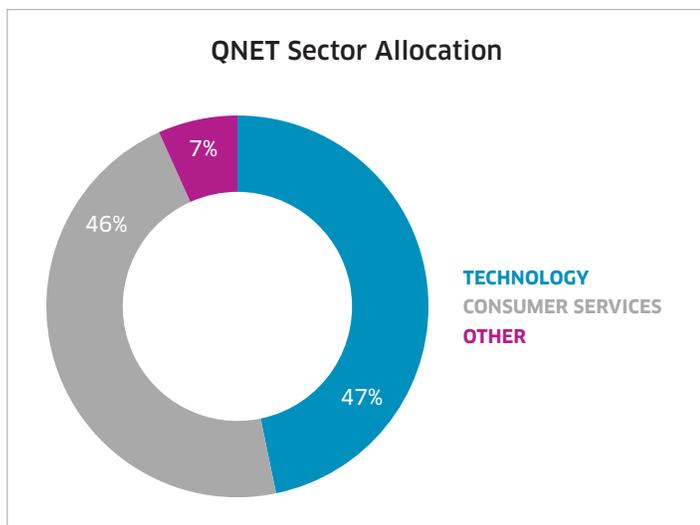


Holdings as of January 31, 2018

The top 10 holdings account for 61% of the index. The index is currently comprised of 83 names (the remaining 73 outside of the top 10 account for the remaining 39% of the index weight). These companies, while not all-inclusive of the full landscape, give a representative view of the index’s universe and the different opportunities that are present around the internet.

Summary

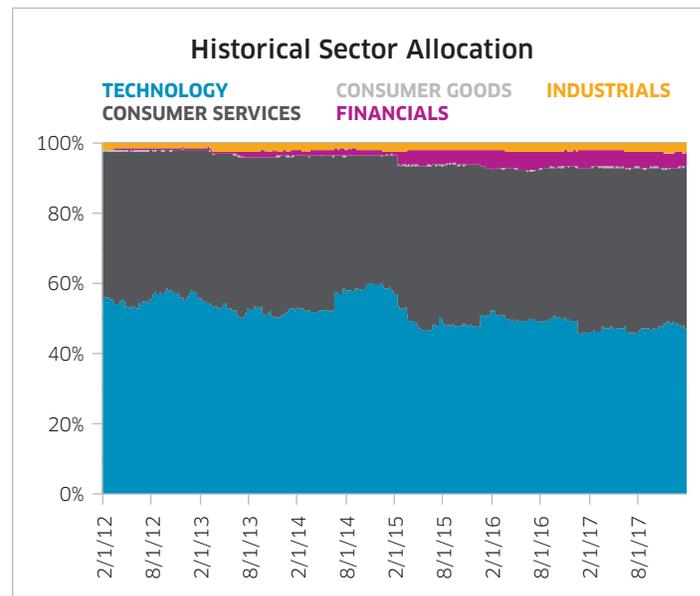
- The internet continues to grow and disrupt traditional industries
- The Nasdaq Internet Index seeks to track companies that are leveraging or supporting the explosive usage of the internet
- The type of companies that are included in the Nasdaq Internet Index is changing along with the changing landscape of the internet
- The Invesco NASDAQ Internet ETF (Ticker: PNQI) tracks the Nasdaq Internet Index



Holdings as of January 31, 2018

Technology and Consumer Services are by far the largest allocations in the index, representing 90% of the index as of January 31, 2018. This is not surprising considering the number of companies that have been created to disrupt the traditional retail space or provide new services to people across the world. Technology and e-commerce are bound by fewer borders than the traditional business landscape of the 1990's or 2000's. This becomes increasingly relevant as we look at the change in composition of the index over time, as exposure to Industrials and Financials have received larger allocations.

QNET Index Holdings



Holdings as of January 31, 2018

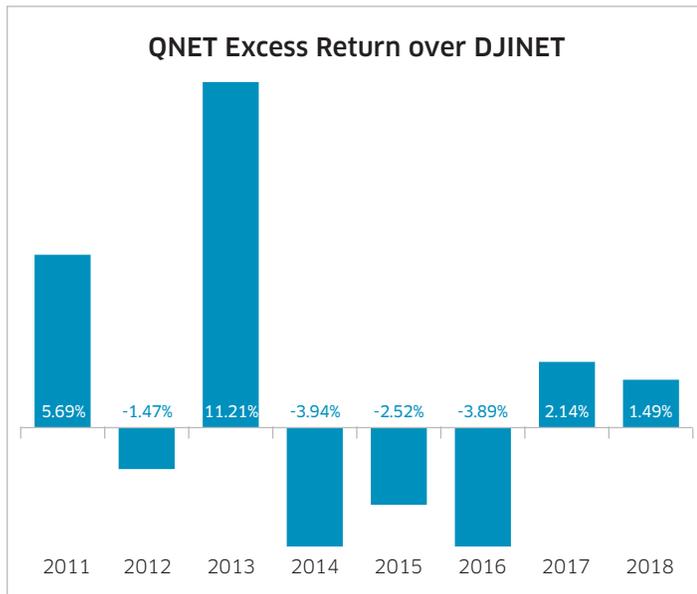
As the composition of the internet continues to evolve, the constituents have adjusted to reflect the new dynamic. At the start of the index in 2012, Financials has no allocation in the index. While as of January 31, 2018 they comprise 3.8% of the index, with holdings such as the real estate website company Zillow Group (Ticker: ZG) coming into the fray. While they are still a small portion of the index, as more internet based banks and financial services companies launch to respond to changing consumer tastes, they have the opportunity to grab more marketshare in the index.

At the end of 2017, QNET crossed the 10-year mark since its official launch. Since its inception, QNET has had strong performance aided by shifts in consumer behavior, new technologies and expansion of the new economy. Compared to the S&P 500, which is a general gauge of the larger more traditional economy, QNET has outperformed in every trailing time period (YTD, 1-Year, 3-Year, 5-Year, and 10-Year).

	QNET	SP500
YTD	12.44%	5.73%
1-Year	45.02%	26.42%
3-Year	25.53%	14.66%
5-Year	24.20%	15.92%
10-Year	19.23%	9.78%

Returns as of January 31, 2018. All returns are Total Return. Past performance is not indicative of future results. In all securities trading there is a potential for loss as well as profit.

Compared to another index such as the Dow Jones Internet Index (DJINT) that focuses on internet companies in a similar fashion as QNET, we see periods of out and under performance for both indexes. Specifically periods of small outperformance by DJINT and periods of larger outperformance by QNET.



Returns as of January 31, 2018. All returns are Total Return. Past performance is not indicative of future results. In all securities trading there is a potential for loss as well as profit.

Since the start of the year it seems that we are in of the periods of relative out performance compared to DJINT and the S&P 500. Since DJINT was launched in 2010, we do not have a full comparison since inception. However, since 2010, when DJINT was launched, QNET has returned 267.71% compared to 267.19% for DJINT.

Accessing the Index

The Nasdaq Internet Index (QNET) was launched on November 27, 2007. The following summer, June 12, 2008, Invesco launched an ETF tied to the index. The Invesco NASDAQ Internet ETF (Ticker: PNQI) is traded on the Nasdaq Stock Market. For more information, please visit the [Invesco](http://www.invesco.com) website.

* Miniwatts Marketing Group. (2017, December 31). Internet World Stats. Retrieved March 01, 2018, from <https://www.internetworldstats.com/stats.htm>

DISCLAIMER

Past performance is not indicative of future results. Investors should undertake their own due diligence and carefully evaluate companies before investing. **ADVICE FROM A SECURITIES PROFESSIONAL IS STRONGLY ADVISED.**

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