Nasdaq U.S. BuyBack Achievers™ Index (DRB™)

September 2025

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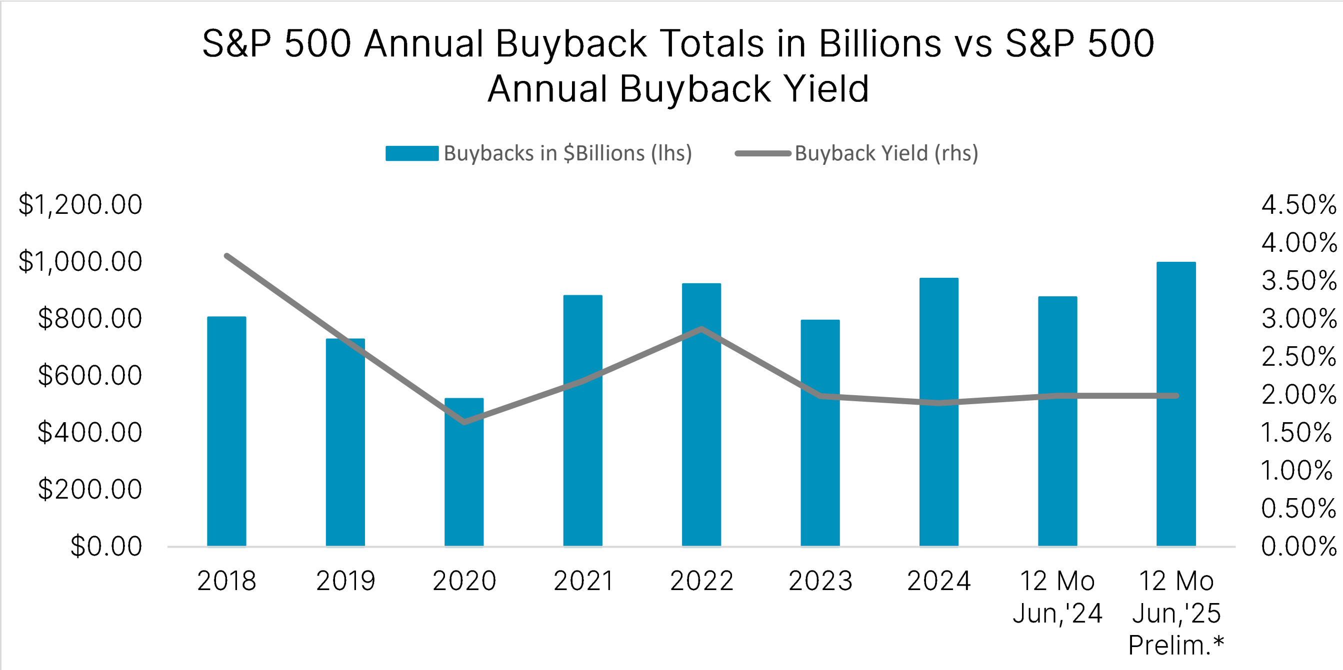
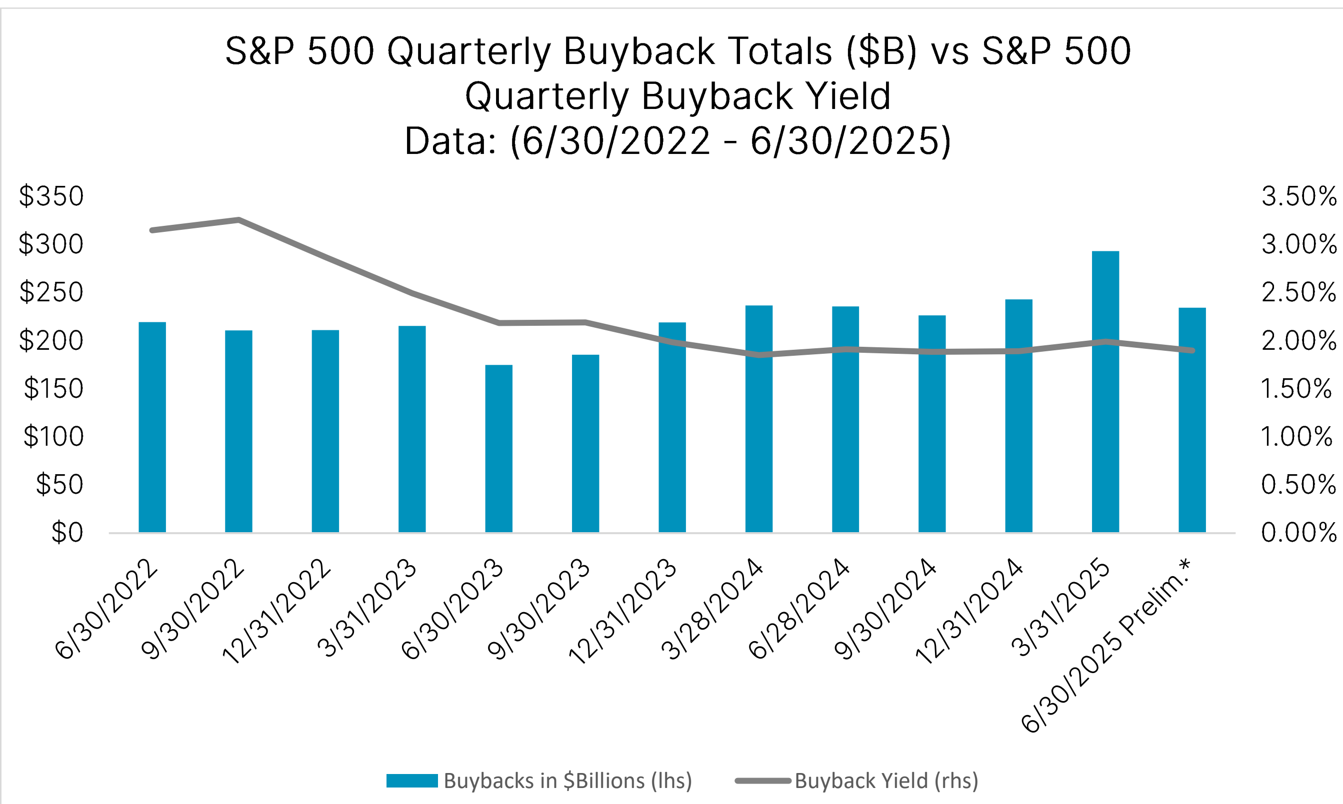
In the United States, stock buybacks are a common method for returning capital to shareholders. Companies use buybacks as a flexible and tax-efficient alternative to dividends, since dividend payments result in immediate taxable income while buybacks defer tax until shares are sold, potentially qualifying for long-term capital gains rates. Buybacks reduce share count, which can affect metrics such as earnings per share (EPS) and return on equity (ROE), even if company profits remain unchanged. Announcements of buyback programs are sometimes interpreted as indicators of management's outlook on the company's prospects.[1] For equity market investors looking for income, focusing on dividends alone therefore excludes a crucial component of total shareholder yield. For more on total yield, be sure to check out a research article published in 2023 linked here.

Buybacks have become an established practice in U.S. markets. According to S&P Dow Jones Indices, S&P 500 companies spent $234.6 billion on share repurchases in Q2 2025, a 20.1% decline from the record $293.5 billion in Q1 2025. In total, 338 S&P 500 companies reported buybacks of at least $5 million in Q2 2025, with the top 20 companies accounting for 51.3% of total buyback activity. Despite the quarterly slowdown, total buybacks over the 12 months ending June 2025 reached $997.8 billion, up 13.7% from the 12 months ending June 2024. While activity eased amid mixed macroeconomic signals, corporate sentiment remains steady. S&P Global expects repurchases to rise again in Q3 2025 as companies deploy excess cash after strong first-half earnings.

1 https://www.bakerinstitute.org/research/understanding-stock-buybacks-should-we-tax-them

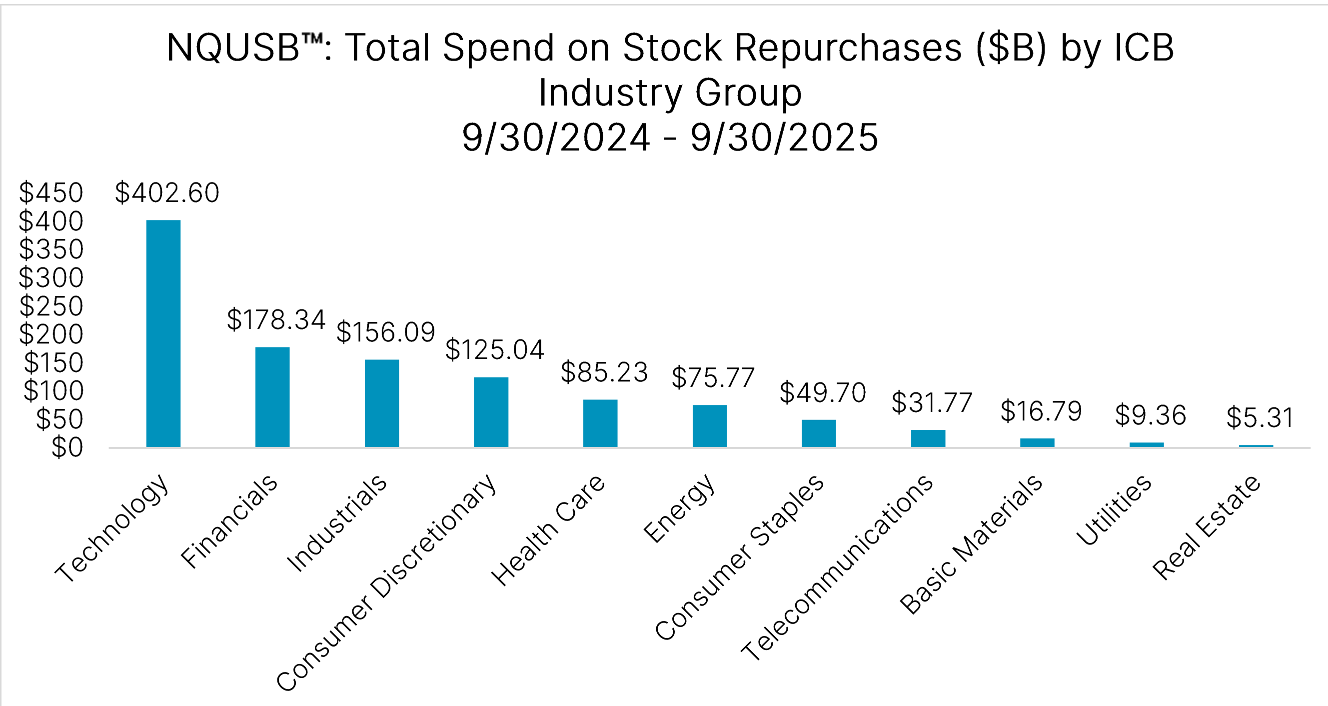


*Preliminary S&P 500 stock buybacks and share repurchase data for Q2 2025 was released on 9/17/2025



Beyond the Numbers

Buybacks reflect a broader structural shift in U.S. corporate finance. Technology and financial companies continue to generate significant free cash flow and often require less capital for reinvestment than in prior decades. As a result, repurchases have become a primary outlet for capital deployment and a key driver of total shareholder yield. Over the 12 months ending September 30, 2025, companies within the Nasdaq US Benchmark Index (NQUSB™) spent $1.4 trillion on buybacks (Source: Nasdaq Global Indexes, internal data). Technology led with $406.2 billion, followed by Financials at $178.3 billion. All 11 ICB industry groups participated in buybacks during the period, demonstrating broad corporate engagement.



The 1% Excise Tax on Buybacks

The 1% excise tax on share repurchases, enacted under the Inflation Reduction Act of 2022 (Section 4501), took effect on January 1, 2023. The tax applies to the fair market value of repurchased shares, minus shares issued during the same year, with certain exceptions including transactions below $1 million2. Despite initial uncertainty, the tax has not slowed activity. S&P Global reports that the 1% tax reduced Q2 2025 S&P 500 operating earnings by just 0.39% and as-reported earnings by 0.42%, remaining a manageable expense. Analyses from the Institute on Taxation and Economic Policy (ITEP) suggest a rate closer to 10–12% would be required to generate equivalent revenue to taxing buybacks as dividends, while the International Bureau of Fiscal Documentation (IBFD) estimates a 4% rate would have a meaningful

3 https: //www.congress.gov/bill/117th-congress/house-bill/5376

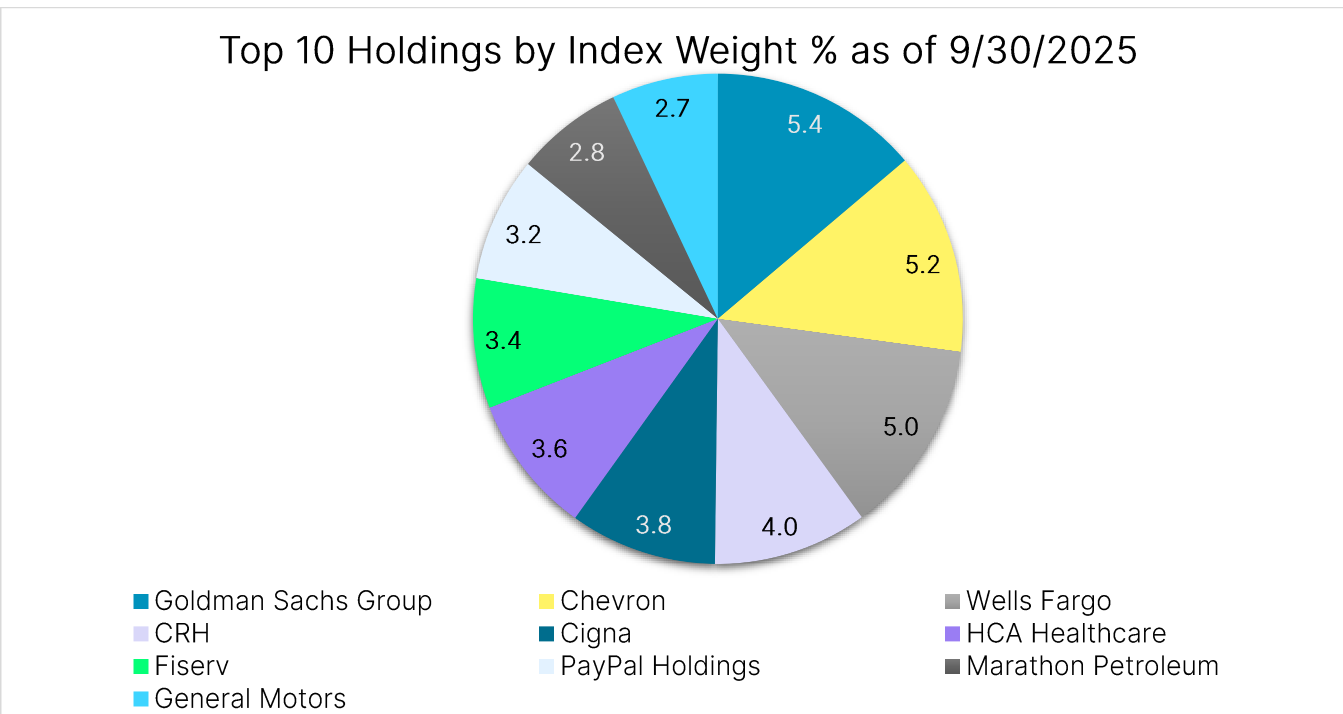
behavioral impact.34 In practice, the current rate has not materially changed corporate behavior. Buybacks remain a tax-efficient, flexible means of returning capital to shareholders, particularly among firms with strong cash flow and consistent repurchase programs.

The Nasdaq US BuyBack Achievers Index Overview

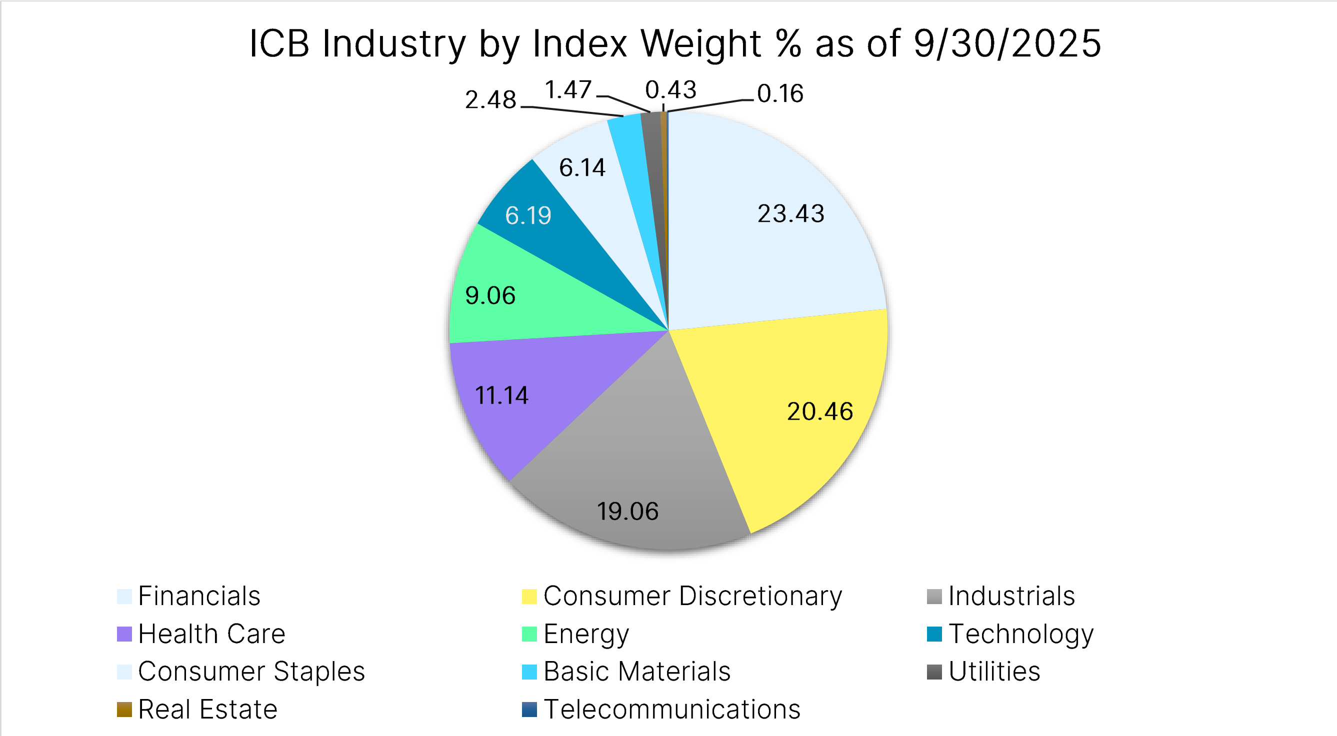
The Nasdaq US BuyBack Achievers Index (DRB) launched in December 2006 and tracks U.S.-listed securities that have reduced shares outstanding by at least 5% over the prior 12 months. This rule ensures that index inclusion reflects substantial, realized buyback activity rather than announced intentions. In February 2025, DRB shifted its reconstitution schedule from annual to semi-annual, increasing responsiveness to market conditions. The index is now reconstituted in August and February and rebalanced quarterly, using a modified market capitalization weighting with a 5% constituent cap. As of September 30, 2025, the DRB included 210 stocks, representing a 64% increase in holdings since 2018. Over the last seven years, the index has averaged 202 constituents, peaking at 313 in 2023 amid a surge in U.S. buyback activity.

Industry Composition and Drivers

The DRB includes exposure to all 11 ICB industry groups, providing a broad view of U.S. repurchase trends. As of September 2025, Financials (23%), Consumer Discretionary (20%), and Industrials (19%) accounted for over 60 percent of total index weight. Goldman Sachs (GS) was the largest constituent at roughly 5.4%, with the top 10 holdings making up 39% of the index.



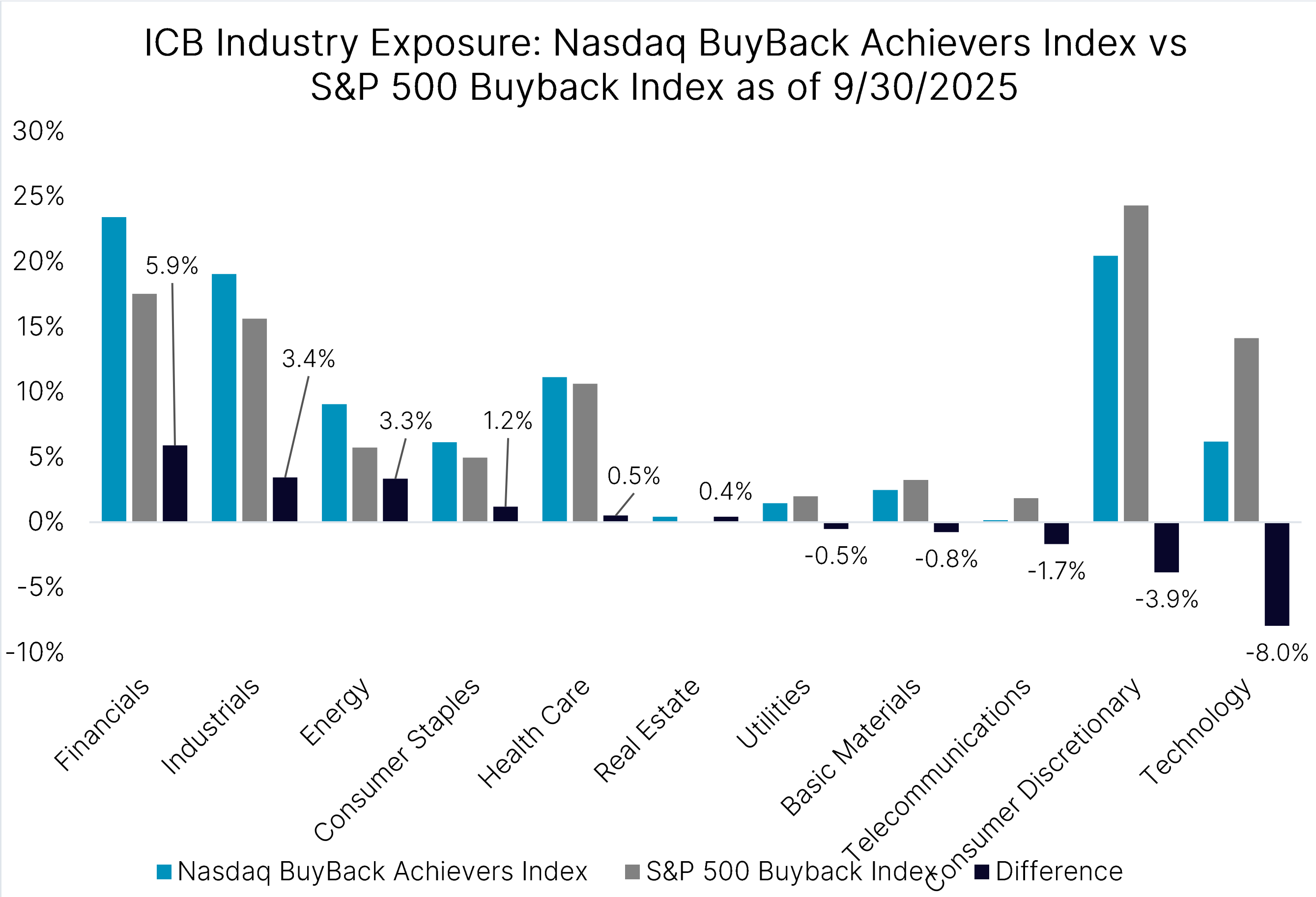
3 https://itep.org/higher-stock-buyback-tax-would-raise-billions-by-tightening-loophole-for-the-wealthy/#:~:text=If%20this%20trend%20holds%20throughout,buybacks%20were%20taxed%20as%20dividends.
4 https://us.ibfd.org/knowledge-hub/tax-insights/how-new-1-tax-stock-buybacks-will-affect-businesses#:~:text=The%20effect%20of%20the%20excise,activities%20in%20the%20United%20States.



Diversified Exposure vs Competitor Indexes

The DRB's selection process starts with all U.S.-listed securities across the major exchanges, then screens for companies that have reduced share count by at least 5% in the trailing 12 months. There are no minimum market-cap, sector, or holding requirements, allowing natural diversification to emerge. By contrast, the S&P 500 Buyback Index (SPBUYUP) limits constituents to the top 100 S&P 500 companies ranked by buyback ratio, using equal weighting. As of September 30, 2025, only 40 names overlap between the two indexes, accounting for 69% of DRB's total weight and just 40% of SPBUYUP's.

At the industry level, DRB maintains a 5.9% overweight to Financials and an 8% underweight to Technology compared to SPBUYUP. Importantly, DRB excludes several mega-cap companies such as Apple (AAPL), Meta Platforms (META), Alphabet (GOOG/GOOGL), and NVIDIA (NVDA) that have high total buyback spend but have not reduced overall share count by the 5% threshold.

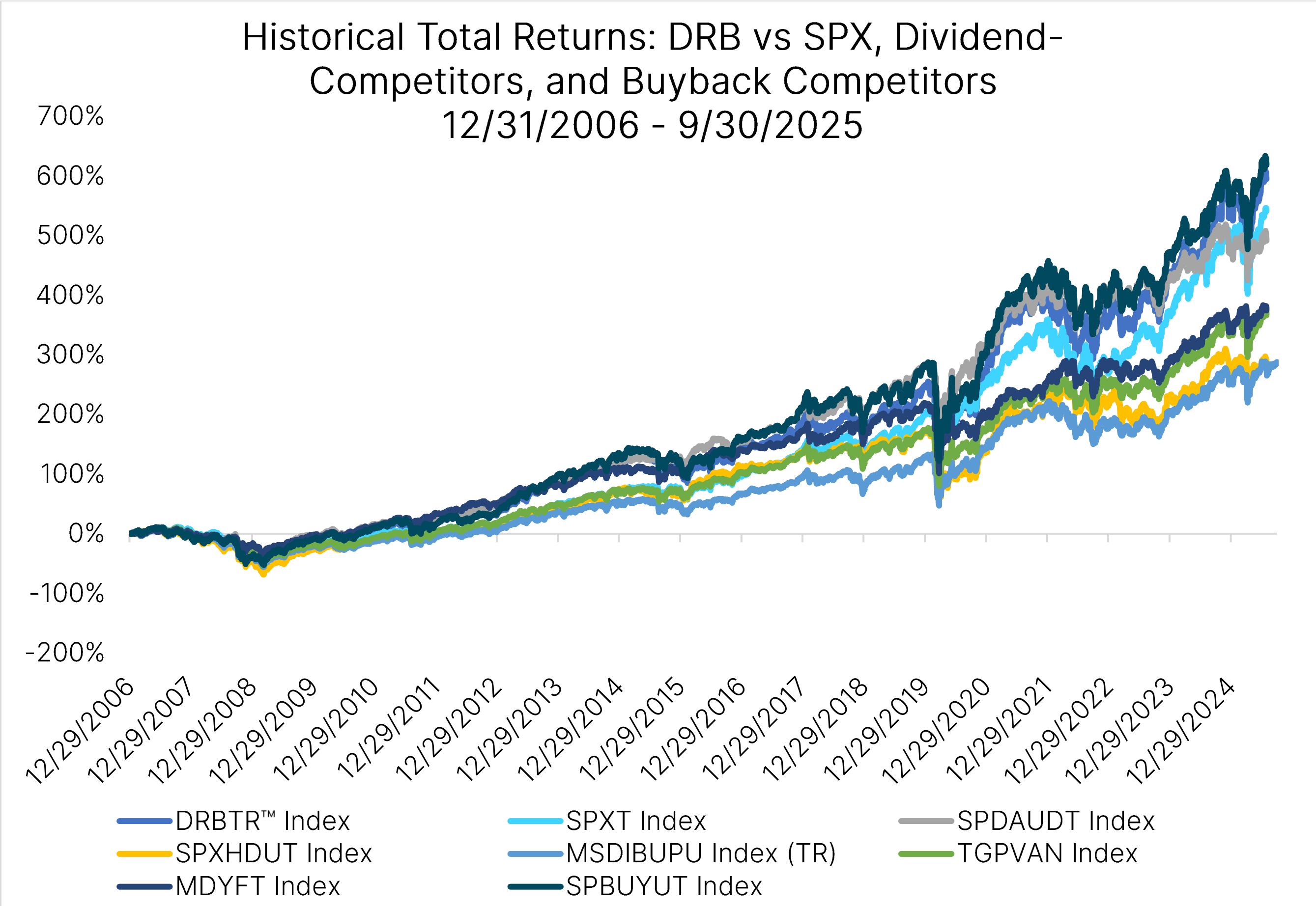


For example, Apple has spent an estimated $748 billion on buybacks over the past decade, yet its share count fell only 2.6% year-over-year, below DRB's eligibility level5. As of September 2025, DRB's buyback yield of 1.71% exceeded that of SPBUYUP (1.52%), offering a higher total shareholder yield.

Performance vs. Benchmarks

Since its inception in December 2006, the Nasdaq U.S. BuyBack Achievers Index TR™ (DRBTR™) has delivered 635.7% total return (11.2% annualized) versus 576.2% (10.7% annualized) for the S&P 500 Index Total Return (SPXT). Its focus on tangible share reduction provides a more diversified and balanced signal of corporate capital-return behavior than methodologies based on ranking nominal dollar amounts.

5 https://www.macrotrends.net/stocks/charts/AAPL/apple/shares-outstanding



Conclusion

Buybacks have become a defining element of shareholder return in the U.S. equity market, often surpassing dividends as the dominant capital-return mechanism. The Nasdaq U.S. BuyBack Achievers™ Index (DRB™) provides a transparent, rules-based measure of companies executing significant, sustained repurchases. Tracked by the Invesco BuyBack Achievers ETF (PKW), the index can serve as a standalone strategy or complement to broader equity or dividend portfolios. With corporate earnings remaining resilient and 2025 buyback activity near record levels, repurchase strategies continue to play a key role in total shareholder yield and long-term market performance.

The Invesco Buyback Achievers ETF (PKW) tracks the Nasdaq U.S. Buyback Achievers™ Index.

Sources: Nasdaq Global Indexes, FactSet, Bloomberg.