

Dorsey Wright Technical Leaders Index

Momentum Takes the Lead in 2018

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By definition, momentum investing is generally thought of as an investment strategy which aims to capitalize on the continuance of existing price trends in the market. There are various ways to calculate momentum, one of the most basic being ranking securities based on a 12-month trailing return.

The Dorsey Wright Technical Leaders Index adheres to momentum-based methodology and seeks to keep allocations geared towards those sectors of the US Equity Market which are displaying the highest relative strength characteristics. The Index began on January 2, 2007, and currently holds 99 components.

Thus far into 2018, the Dorsey Wright Technical Leaders Index has been outperforming the broader market by a significant amount. Sustained leadership and dispersion in performance between US Equity sectors have helped create a favorable environment. For example, sectors such as Consumer Discretionary and Technology have been outperforming the broad market, while Utilities and Financials have been underperforming. This sustained leadership has allowed DWTL to stay allocated towards the stronger performing sectors.

In this research we will start by giving some basic methodology information in regards to how the DWTL Index rebalances, followed by basic Point & Figure analysis. Next, we will provide ICB Allocations and some basic Attribution analysis. Finally, we will then go into performance detail, displaying how DWTLTR is outperforming the general market (S&P 500), other well-known strategies (such as Value), and finally other popular Momentum Indexes (M2US000\$).

Index Rebalancing

The Index employs a modified market capitalization weighted methodology. At each quarter, the Index is rebalanced by weighting each Index Security by their proprietary relative strength score. A final check is run to ensure that all securities with Index weights greater than 5% do not, in aggregate, exceed 25%. If this occurs, a redistribution of weight from these issuers' issues will take place until the rule is met. The process is repeated, if necessary, to derive the final weights.

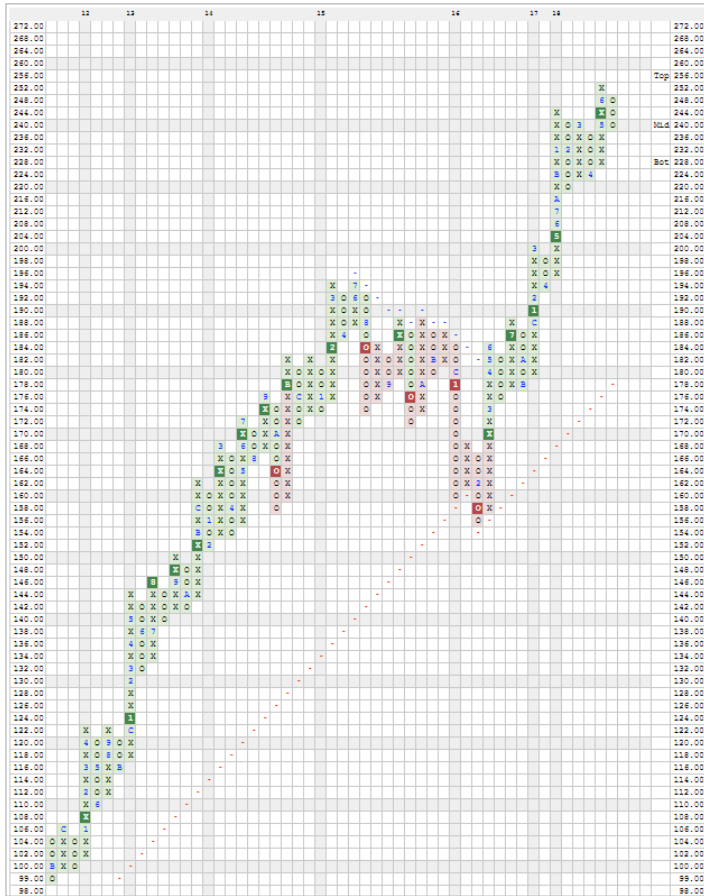
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Dorsey Wright Technical Leader Index (DWTL)

Point & Figure Chart

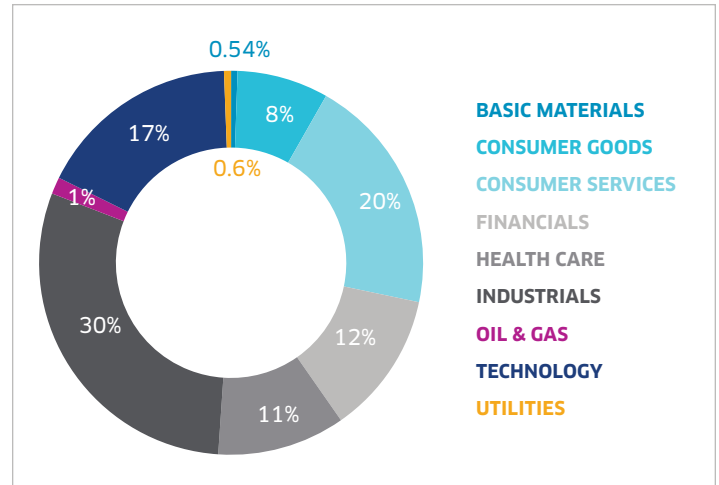
The Point & Figure chart remains constructive and confirmed a double top break out above 244.00. The recent pullback to the 240.00 level should act as support. A move below 216.00 would negate the current buy signal mentioned previously.



Industry Allocations

As of May 31, 2018

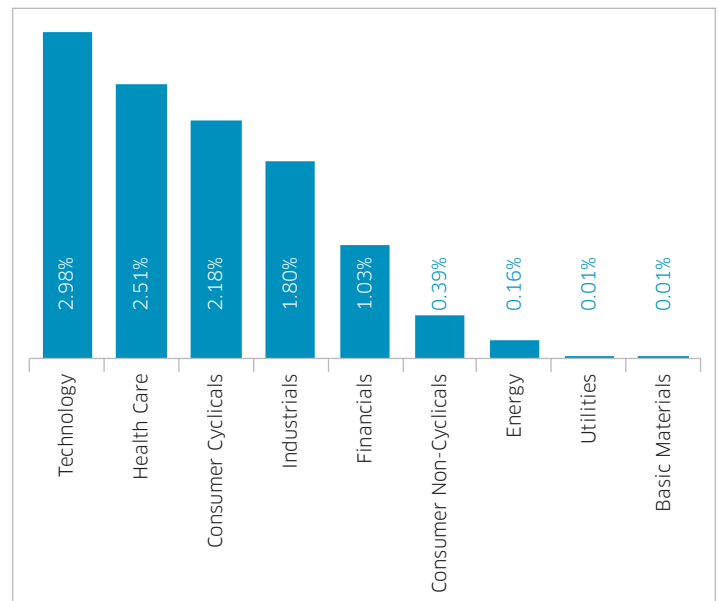
The DWTL index has allocations geared towards 9 of the 10 ICB Industries (Telecom is not included). The most heavily weighted industries are Industrials (30%) and Technology (17%). The most lightly weighted are Basic Materials (0.54%) and Utilities (0.60%).



Attribution

December 29, 2017 – June 21, 2018

Technology, Health Care, Consumer Cyclical, and Industrials are the top contributing sectors during our time period studied.



Top 10 Contributing Components

December 29, 2017 – June 21, 2018

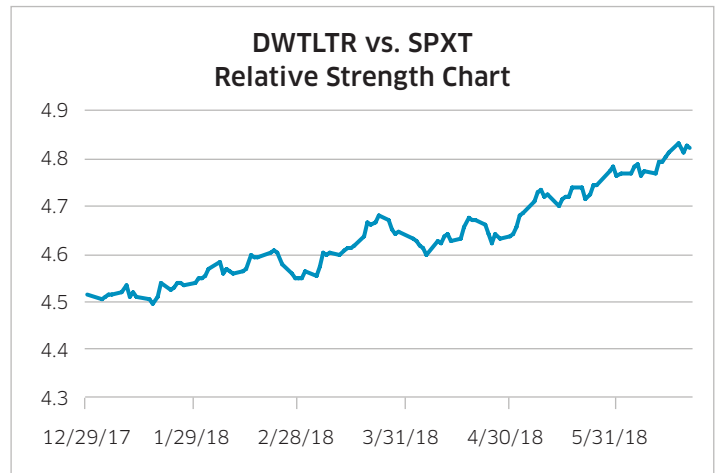
ABMD	ABIOMED Inc.	1.70%
MA	Mastercard Incorporated Class A	0.75%
AMZN	Amazon.com Inc.	0.71%
DPZ	Domino's Pizza Inc.	0.62%
ALGN	Align Technology Inc.	0.59%
ORLY	O'Reilly Automotive Inc.	0.52%
AVXS	AveXis Inc.	0.52%
NVDA	NVIDIA Corporation	0.46%
ANSS	ANSYS Inc.	0.45%
EXAS	Exact Sciences Corporation	0.45%

DWTLTR vs SPXT

Relative Strength Chart (December 29, 2017 – June 21, 2018)

	DWTLTR	SPXT
Returns (YTD)	10.86%	3.81%

The relative strength ratio chart below compares the Dorsey Wright Technical Leaders Total Return Index vs. the S&P 500 Total Return Index. The rising line confirms the outperformance that DWTLTR has displayed thus far into 2018. The ability for DWTLTR to stay allocated towards the stronger performing sectors of the market using its relative strength based methodology has certainly proved beneficial for those who have gained exposure to the index.

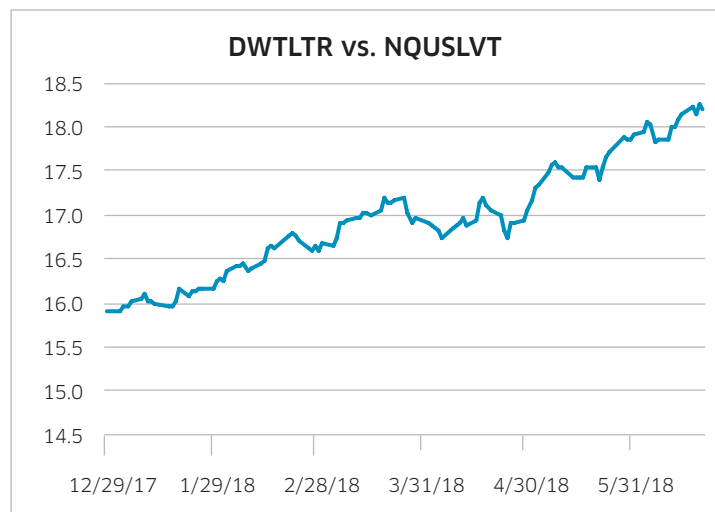


DWTLTR vs NQUSLVT

Relative Strength Chart (December 29, 2017 – June 21, 2018)

The sustained leadership amongst US Equity sectors has also helped the Dorsey Wright Technical Leaders Total Return Index outperform other popular strategies. The below chart confirms the outperformance Dorsey Wright Technical Leaders Total Return Index (DWLTR) vs. Nasdaq US Large Cap Value TR Index (NQUSLVT).

	DWTLTR	NQUSLVT
Returns (YTD)	10.86%	-3.17%

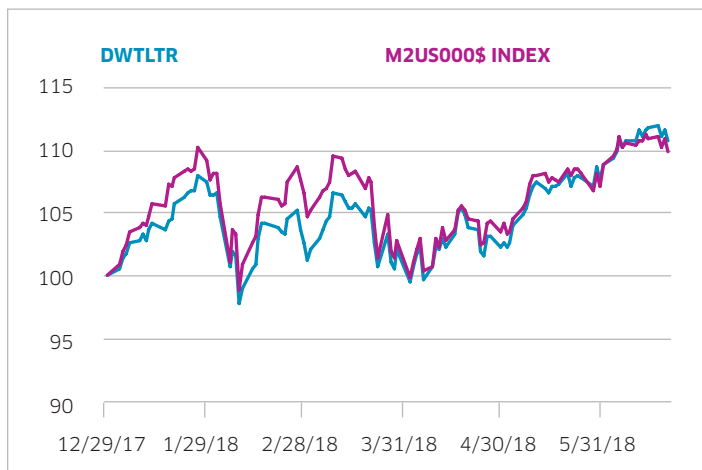


DWTLTR vs M2US000\$

Performance Comparison (December 29, 2017 – June 21, 2018)

Finally, we've provided a year-to-date performance comparison between the Dorsey Wright Technical Leaders Total Return Index (DWTLTR) vs. MSCI USA Momentum USD Total Return Index (M2US000\$). Although the returns are close on a year to date basis, DWTLTR has edged out by M2US000\$ Index by roughly 1%. Since the end of February, the Dorsey Wright Index outperformance is even more compelling, notching a gain of 8.02% vs 3.09% for MSCI over that time, an approximately 5% outperformance.

	DWTLTR	M2US000\$ INDEX
Returns (YTD)	10.86%	9.98%



Conclusion

Thus far into 2018, the Dorsey Wright Technical Leaders Total Return Index has been performing very well, notching gains of +10.28% (as of June 21, 2018). This compared to its benchmark (SPXTR) which is just 3.81% over the same time frame. The Index has also outperformed other well-known strategies such as Value, and other Momentum Indexes.

In order to help confirm the benefits of a relative strength based strategy, we provided some basic attribution detail which displayed some additional detail on the top performing sectors and names thus far into 2018. Investors can gain exposure to the index through the corresponding ETF, which is the Invesco DWA Momentum ETF (Ticker: PDP).

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