

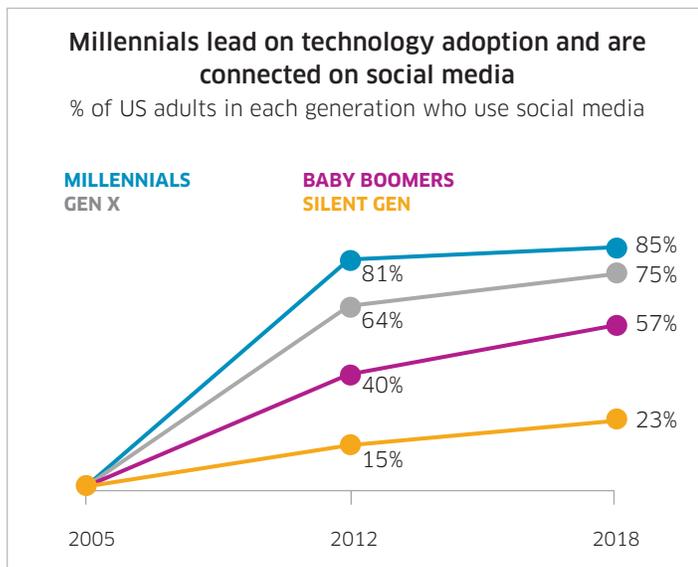
Millennials

Can the truly digital generation be good for your portfolio?

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Innovative companies will grow with the Millennials

Take a look around, read the papers, use social media, surf the Web or watch commercials, and you'll see it: the quest to target the newest influential consumer segment is pervasive. The largest target market today is a specific group of consumers who have changed the rules and caused major disruption in nearly every industry. That group is made up of the all-powerful Millennials, now young adults and adults who were born anywhere from the early 1980s to the 2000s.



Source: Pew Research

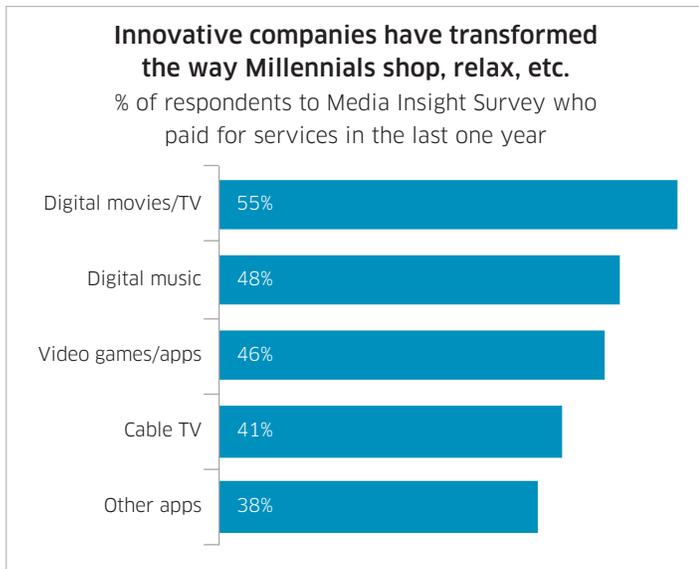
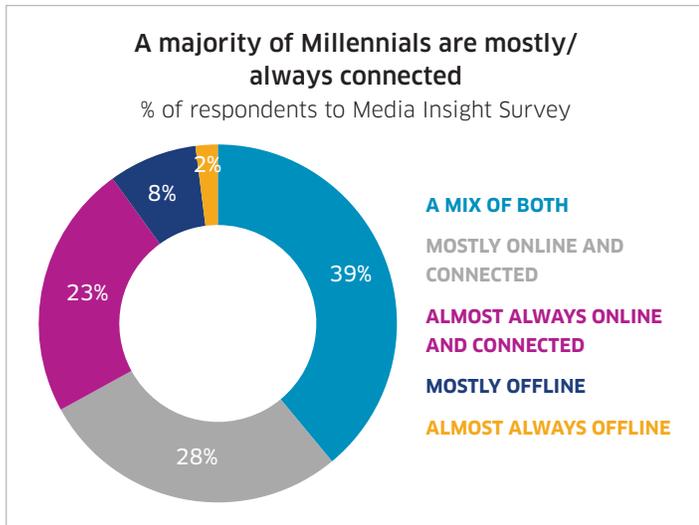
While the Millennial generation includes anyone from 18 to 38 years old as of 2018, as a whole this group has a passion for the environment and social change. They want to make a difference in the world, and they're certainly living up to that promise. They live differently,

act differently, and shop differently than previous generations, and for obvious reason. They were the first to grow up with computers, and they can't remember life without the Internet or a cell phone. They feel out of touch if they're not on social media daily, and they value the recommendations of friends and celebrities over the advice of "experts" for everything from politics to purchases. Plus, they engage with brands online more than any other demographic. They "like" brands on Facebook, make and break restaurant reputations on Yelp, and Tweet about what they're watching (The Walking Dead and Game of Thrones), what they're eating, and what makes them tick.

This unprecedented level of "connectedness" has made them the driving force behind the success of innovative companies and brands that manage to find their ways into Millennials' wallets are reaping the rewards. These winning companies focus the majority of their marketing dollars on Millennials for three reasons:

1. Millennials connect with and recommend brands through social media.
2. Millennials are highly brand loyal.
3. Millennials have money to spend, and they shop...a lot.

As a result, companies are taking a completely new approach to marketing to successfully attract this important demographic. And it's working. Some—like Amazon, Netflix, and Alphabet—have succeeded by building businesses on emerging technologies. They've changed how Millennials (and almost every other demographic) shop, how they relax, and how they socialize. Others (Apple, Nike, and Under Armour, just to name a few) have capitalized on the millennial movement to "own" their retail sectors. They've evolved their products, their marketing strategies, and their brands to connect with Millennials on their own terms.

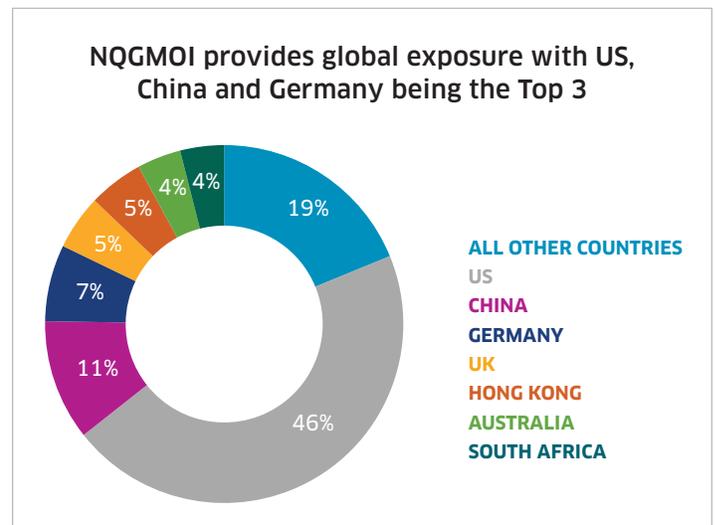
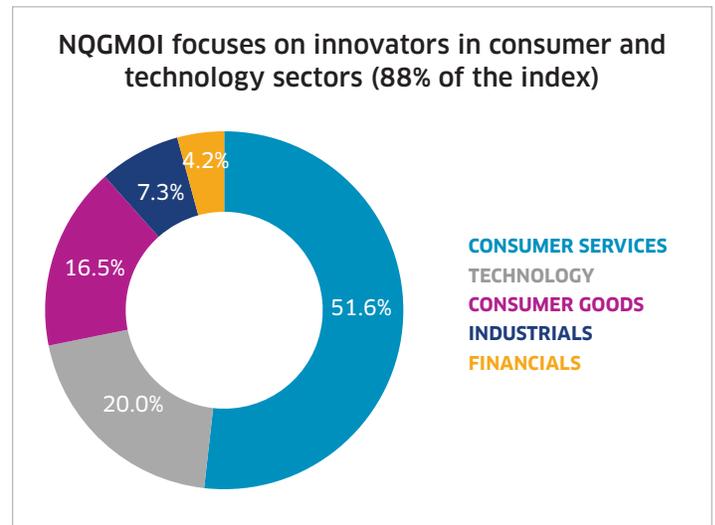


Source: The American Press Institute

According to 2017 [US Census Bureau population estimates](#), Millennials have finally surpassed Baby Boomers to become America’s largest generation, numbering a stunning 75.5 million. Though Millennials have higher debt levels and their salaries have less buying power than previous generations, there is a huge influx of wealth from Baby Boomers to their millennial heirs. This means that the companies that have succeeded at marketing to this age group are reaping the benefits with increasing revenues and continued growth. And because studies have shown that [Millennials are the most brand loyal generation](#), that growth is likely to continue as long as these companies can maintain a high level of innovation and (most importantly) maintain a strong connection with their Millennial fans over social media and other technology-based outreach.

Single-ticker solution to play the Millennials theme

What does all of this have to do with investing? Just as they’ve disrupted so many other industries, Millennials have unwittingly created a new sector index for investing—one that reaches beyond industry definitions to include one thing: the companies Millennials connect with, shop with, and propel toward success. Causing a buzz in the industry, the [Nasdaq Global Millennial Opportunity Index \(Nasdaq: NQGMOI\)](#) is poised to provide a single-ticker solution for investors to leverage the momentum of companies in this unique category. Unlike industry-specific sectors, the Millennial index includes innovators in a variety of industries. Yes, high tech, but also apparel, travel, entertainment, and more. So it’s highly diversified. What the sector does not include are old school brick and mortar retailers who aren’t attractive to this crowd. It also steers away from many traditional S&P 500 winners like Johnson & Johnson, General Electric, or Proctor & Gamble.



Source: Nasdaq

NQGMOI provides exposure to international names like Alibaba, Tencent, and Adidas. See below for the top ten securities in the index.

TICKER	COMPANY	INDEX WEIGHT	COUNTRY	PERFORMANCE -1YR
WDI	Wirecard	3.20%	Germany	131.8%
BABA	Alibaba Group	2.69%	Hong Kong	61.7%
NFLX	Netflix	2.58%	US	115.6%
700	Tencent Holdings	2.40%	China	48.5%
MOMO	Momo Inc	2.40%	China	20.7%
NVDA	Nvidia	2.36%	US	75.2%
ADS	Adidas	2.36%	Germany	19.7%
YY	YY Inc	2.28%	China	99.7%
HD	The Home Depot	2.26%	US	24.3%
GOOG	Alphabet	2.23%	US	12.5%

Source: Nasdaq

The Nasdaq Global Millennial Opportunity Index can include common stocks, ordinary shares, depository receipts, shares of beneficial interest and REITs.

To be eligible for inclusion in the index, a security must meet the following criteria:

- be a component of the Nasdaq Global Index (NQGI)¹;
- have a minimum market capitalization of \$200 million;
- be classified as having high or medium exposure to Millennials;
- one security per issuer is permitted.

Index weighting

The Nasdaq Global Millennial Opportunity Index is a modified equal dollar weighted index. Weighting of each security basket is determined by a two-stage process: market capitalization and exposure to growth and value factors.

¹ If a security is not a component of the Nasdaq Global Index but is listed on an eligible global exchange, then that security may also be eligible if it meets all other eligibility criteria

% of Index weight



Source: Nasdaq

Securities in the high exposure Millennials are broken up into large capitalization (cap) and small-mid cap by having the largest 50% of securities by market cap considered to be large cap and the rest as small-mid cap. Similar process is applied to securities that have medium exposure to Millennials. All securities are then ranked based on two equally weighted factors: quality growth and value (using data as of the most recent year-end).

Six eligible buckets of securities:

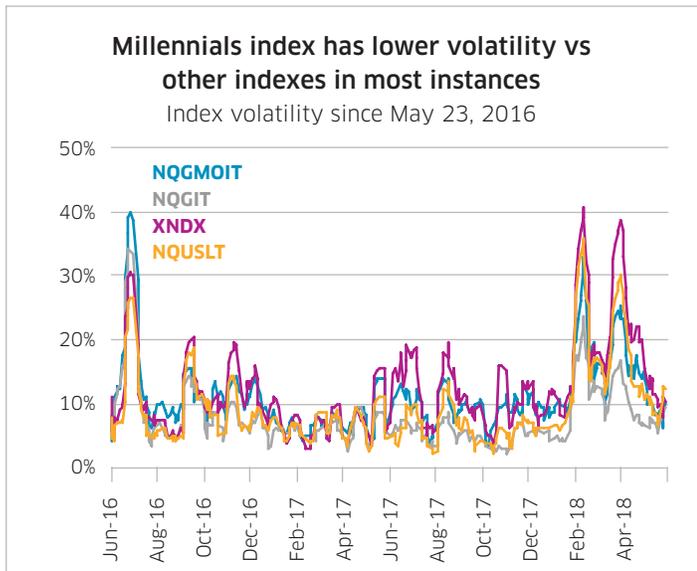
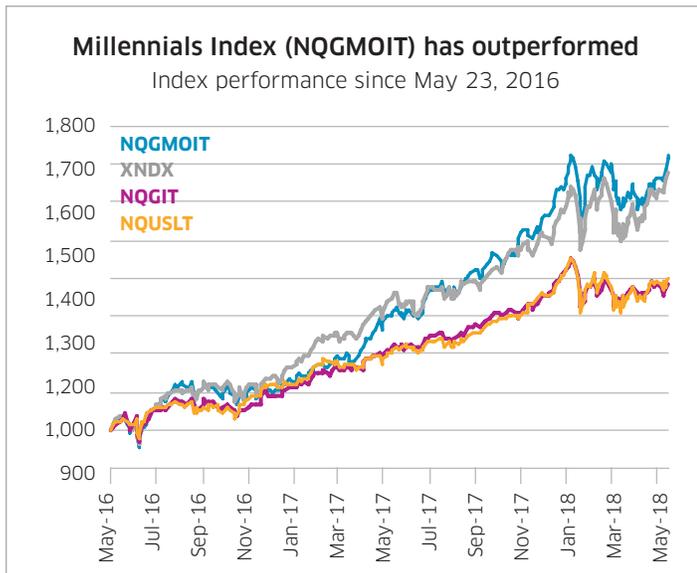
1. High exposure, large cap and top 50% on the two factor ranking (24% index weight)
2. High exposure, large cap and bottom 50% on the two factor ranking (16% index weight)
3. High exposure, small-mid cap and top 50% on the two factor ranking (18% index weight)
4. High exposure, small-mid cap and bottom 50% on the two factor ranking (12% index weight)
5. Medium exposure, large cap and top 50% on the two factor ranking (20% index weight)
6. Medium exposure, small-mid cap and top 50% on the two factor ranking (10% index weight)

Securities within each of the buckets are equally weighted. At the rebalancing, the Index is rebalanced such that the weights laid out in the ranking review for each Index security are applied.

For more information on the index methodology, please click [here](#).

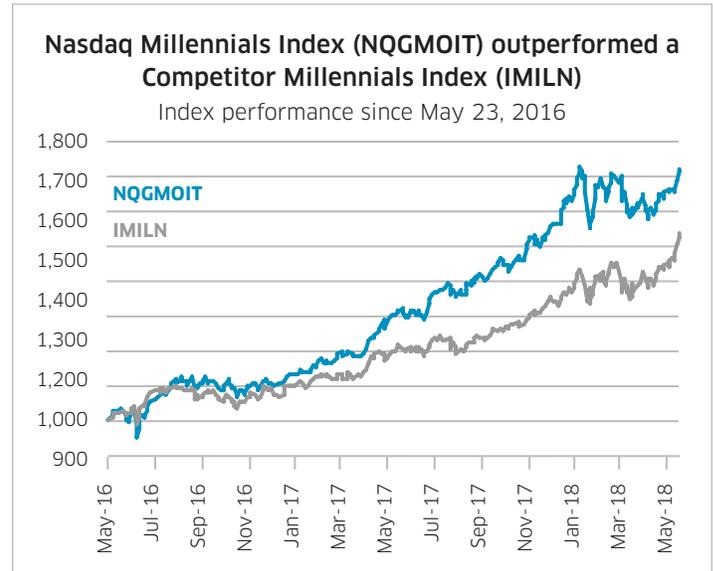
Nasdaq Global Millennial Opportunity Index: very strong performance since launch

The Nasdaq Global Millennial Opportunity Index, which provides exposure to companies within the Nasdaq Global Index that are considered to be driven by Millennials, has outperformed the Nasdaq Global Index, the Nasdaq US Large Cap Index and the Nasdaq-100. The index is up 62.86% since inception on May 23, 2016, vs. Nasdaq Global Index at 38.04%. It isn't surprising given how the index is leveraging the momentum of companies exposed to the Millennials theme. The Index performance is not only driven by the technology companies which enable Millennials, the truly digital generation, to connect but also by the household consumer names which have capitalized on how Millennials shop, eat and invest.



Source: Nasdaq

Global and sector exposures driving the performance of NQGMOI



Source: Nasdaq, Bloomberg.

The Nasdaq Global Millennial Opportunity Index has outperformed IMILN (Indxx Millennials Thematic Index) since its inception (+62.87% vs. IMILN at +53.60%). The strong performance of the index can be attributed to two factors: global exposure and sector focus. The Nasdaq Global Millennial Opportunity Index provides exposure to global companies while IMILN focuses on US listed companies. The Nasdaq Global Millennial Opportunity Index has 103 components vs. 74 components in IMILN. There are 28 common names such as Apple, Amazon, and Facebook, but IMILN's domestic focus misses international names like Alibaba, Tencent and Adidas. China's performance is also giving a boost to the Nasdaq Millennial Index (nearly 11% of the index weight).

Though both the indexes have exposure to the same sectors, sector dispersion varies which is one of the drivers of the performance divergence. The Nasdaq Global Millennial Opportunity Index has nearly 88% exposure to consumer and technology sectors compared to IMILN's 80%. IMILN places greater emphasis on financials with 16% vs. NQGMOI's 4%. Is the Millennials theme meant to be more consumer and technology focused or more diversified? As the largest consumer base is embracing digital technology and shops for not only products but also experiences, we believe sectors like e-commerce, transportation, entertainment, technology, food and beverages, apparel - all of them are much more consumer and tech focused and should benefit the most from the theme.

Final Thoughts

Several sectors are on the brink of a major transformation. Millennials, the largest US generation and also the first generation of digital natives, are driving this shift through their affinity to technology. As older Millennials are in their mid to late 30's, their impact on the global economy is huge. How do you tap this opportunity? Nasdaq provides a one-stop solution through the Nasdaq Global Millennial Opportunity Index, a highly diversified index, to get exposure to innovative companies across the globe that are reaping the benefits and are seeing continued growth and performance.

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