

# ISE Cloud Computing Index

*Investing in the Cloud Computing Industry*

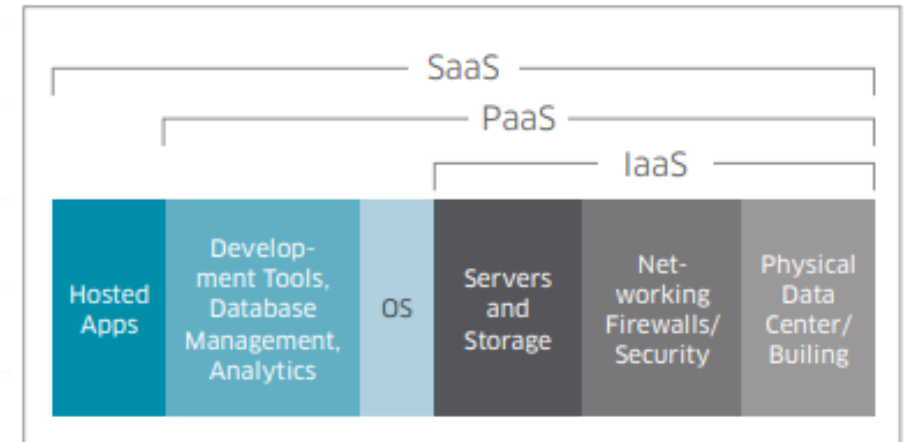
 Nasdaq | REWRITE TOMORROW

# Cloud Computing Trends

- Cloud computing during Covid-19:
  - Satya Nadella (Microsoft CEO):
    - *“We’ve seen **two years’** worth of digital transformation in **two months.**”*
  - Flexera’s 2020 State of the Cloud Report:
    - ***59%** of enterprises expect their cloud usage will be slightly or significantly higher than planned this year*
- Cloud computing after Covid-19:
  - Gartner survey of 300+ CFOs:
    - ***74%** of companies plan to permanently shift to more remote work post-Covid-19*

# The ISE Cloud Computing Index (CPQ)

- CPQ holistically represents the industry
  - Infrastructure-as-a-Service (IaaS)
  - Platform-as-a-Service (PaaS)
  - Software-as-a-Service (SaaS)
- Index weighting:
  - Every company in the Index receives a score:
    - IaaS = 3
    - PaaS = 2
    - SaaS = 1
  - Index weight is determined using each company's total score and dividing it by the aggregate score of all companies in the Index
  - The Index weighs companies according to their relevance and contribution to the space
    - A company involved in all 3 segments will receive a maximum score of 6 (IaaS {3} + PaaS {2} + SaaS {1})



# Why are IaaS Companies Relevant?

- Provide the computing infrastructure, delivered over the internet, that enables other firms to build services more easily
  - Datacenters
  - Servers/storage
  - Networking/firewall
- Ability to scale computing demand
- Avoid the high expenses and complexity of buying and managing infrastructure
- About 23% of companies in the Index provide some sort of infrastructure-related services

# Why are PaaS Companies Relevant?

- Provide the development and deployment tools in the cloud, enabling firms to develop cloud-based applications
  - Operating systems
  - Middleware
  - Development tools
  - Business intelligence
  - Database management systems
- Support the web application lifecycle of hosted applications
- About 39% of companies in the Index provide some sort of platform-related services

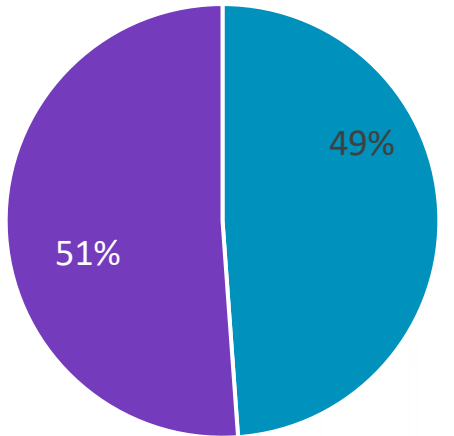
# Why are SaaS Companies Relevant?

- Provide hosted applications over the internet
- Leverage the infrastructure and platforms that other firms have built
  - Utilize these services on a pay-as-you-go basis
  - Low overhead costs
- About 86% of companies in the Index provide some sort of software-related services



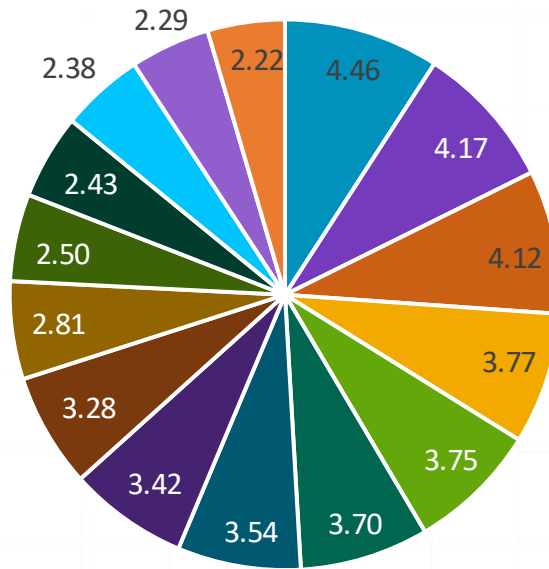
# Index Composition

Top 15 vs. Rest of Index as of October 30, 2020



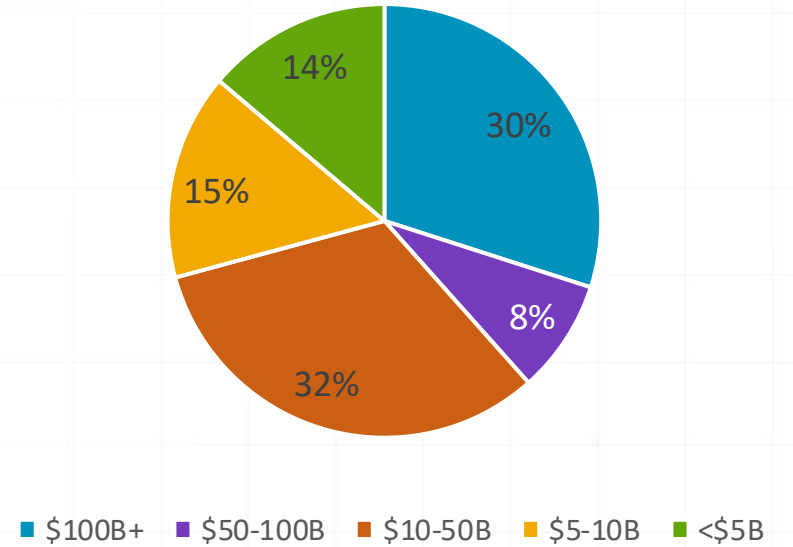
■ Top 15 Names ■ Rest of Index

Top 15 Index Weights



■ BABA ■ GOOGL ■ ORCL ■ MSFT ■ VMW  
 ■ AMZN ■ KC ■ MDB ■ ANET ■ LUMN  
 ■ FIVN ■ MSTR ■ CSCO ■ AKAM ■ PSTG

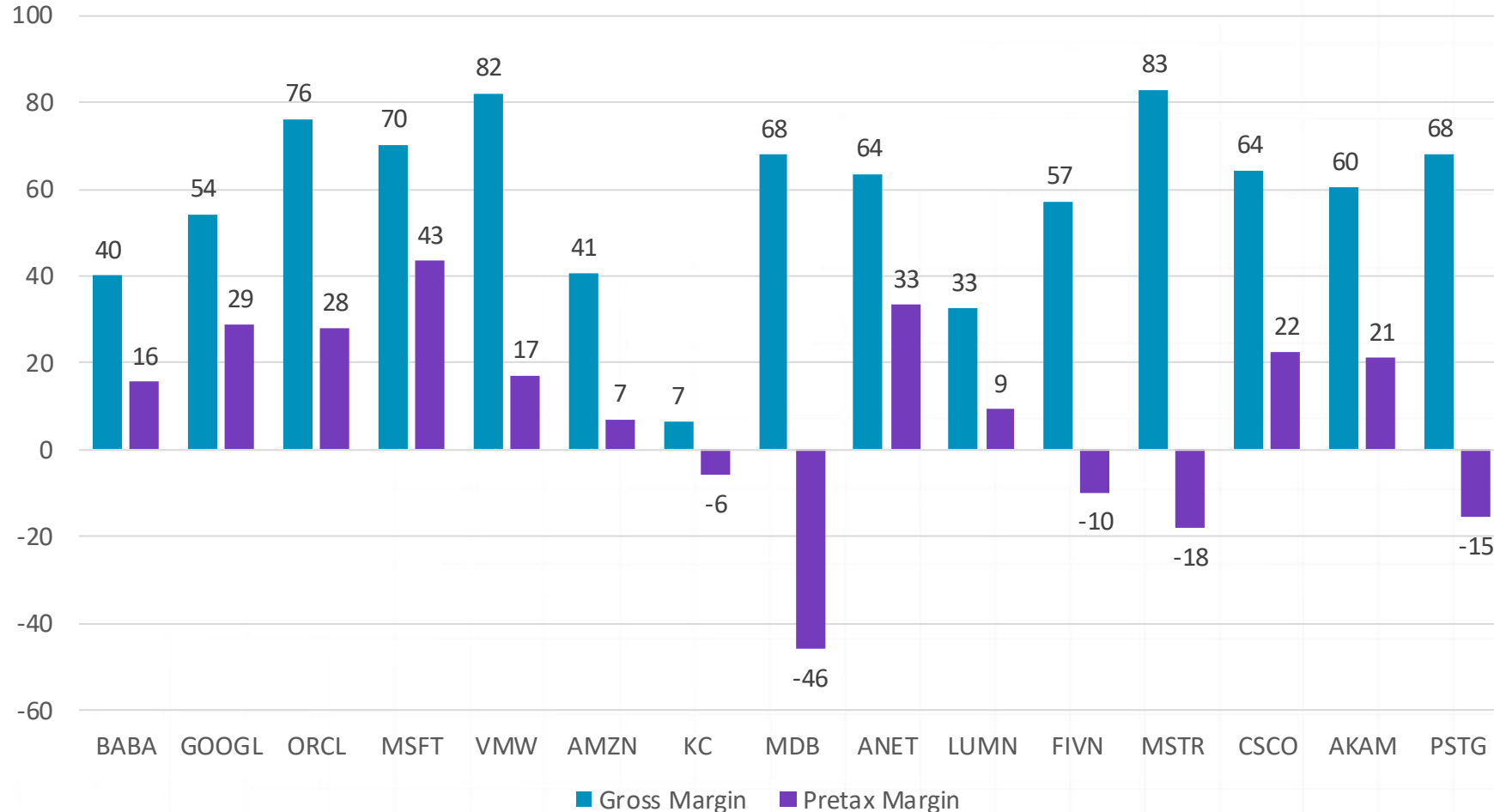
Index Weight by Market Cap



■ \$100B+ ■ \$50-100B ■ \$10-50B ■ \$5-10B ■ <\$5B

# Index Fundamentals

Gross vs. Pretax Margins as of October 30, 2020 in % (Most Recent Reported Quarter)

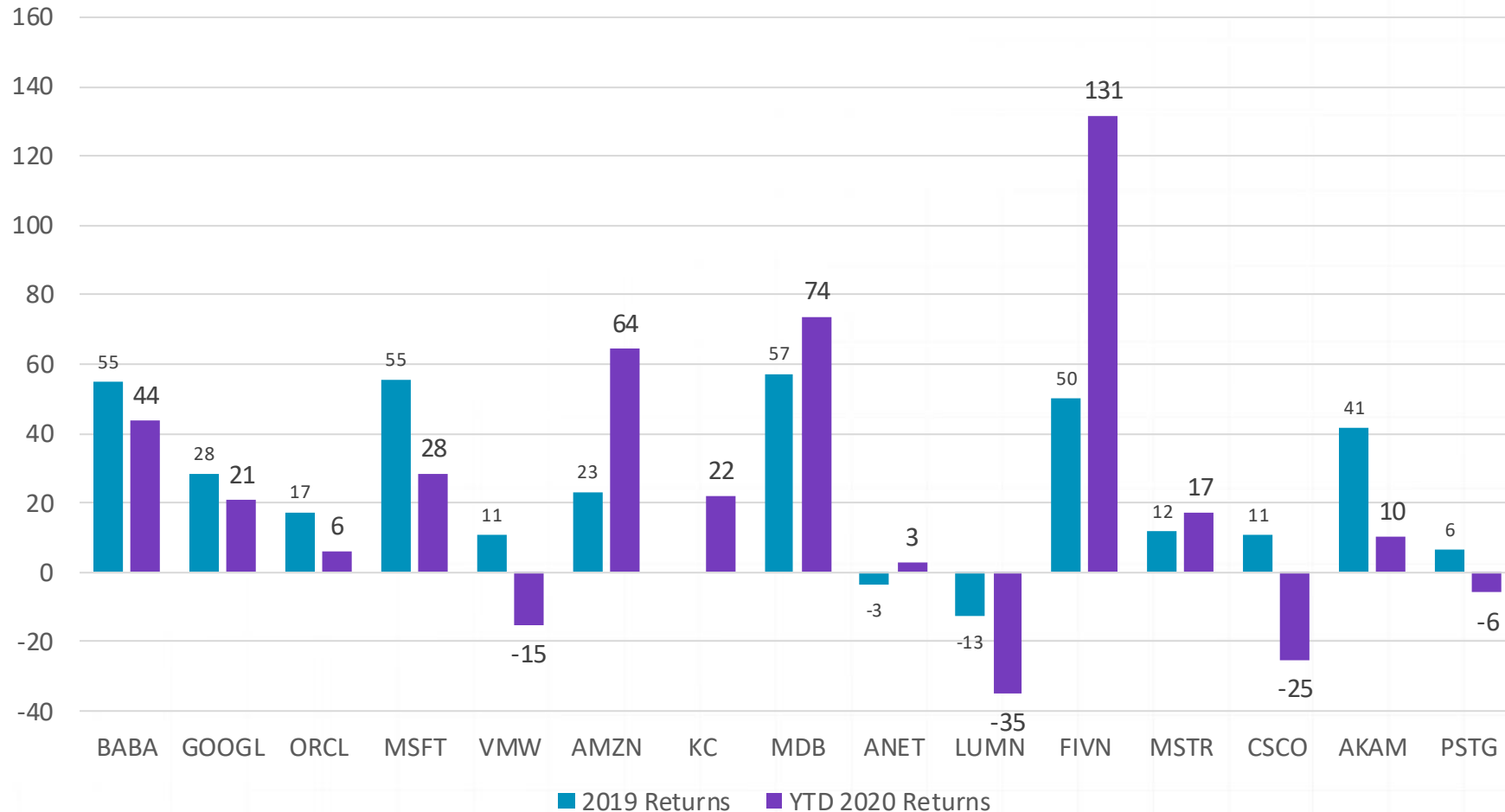


- Average gross margin of Top 15 vs. Rest of Index: **58% vs. 68%**
- Average pretax margin of Top 15 vs. Rest of Index: **9% vs. -3%**



# Index Constituent Performance

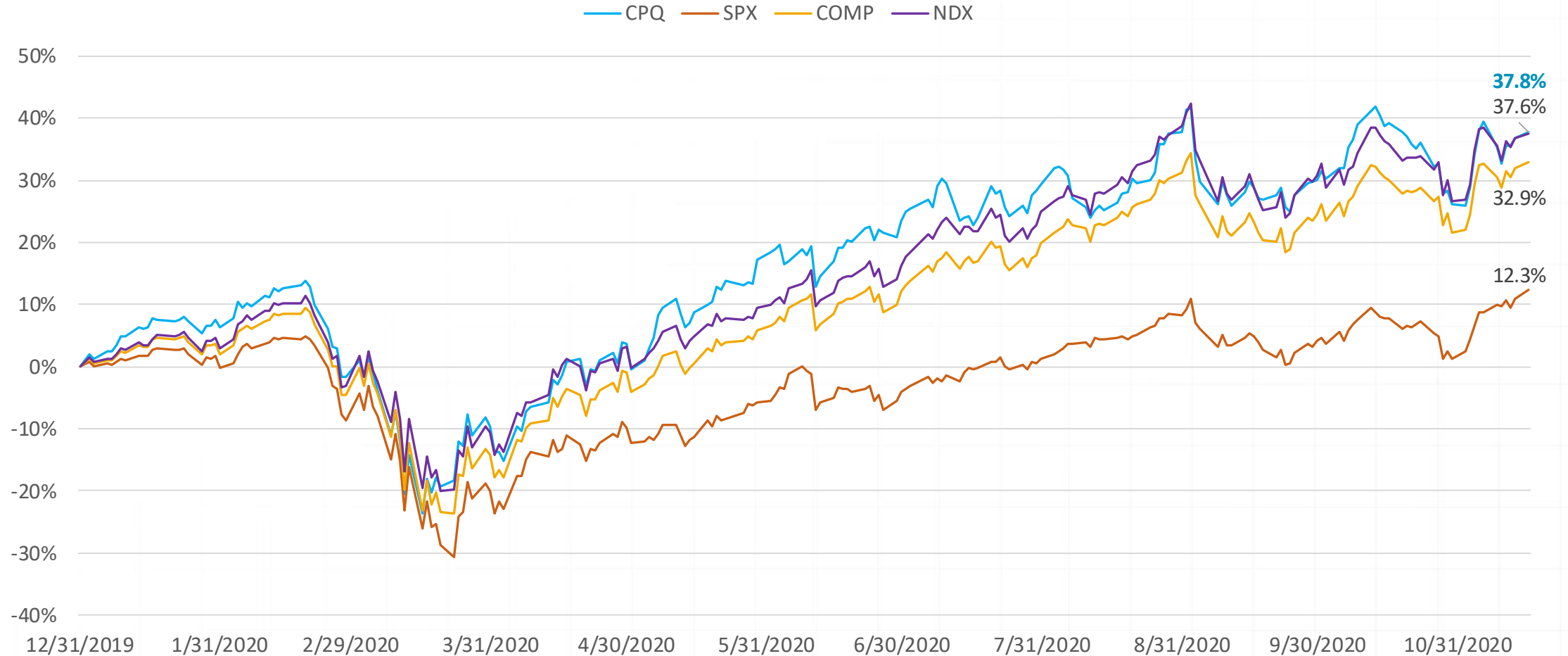
2019 vs. 2020 YTD Returns as of October 30, 2020 in %



- Average YTD performance of Top 15: **23%**
- Average YTD performance of Rest of Index: **58%**

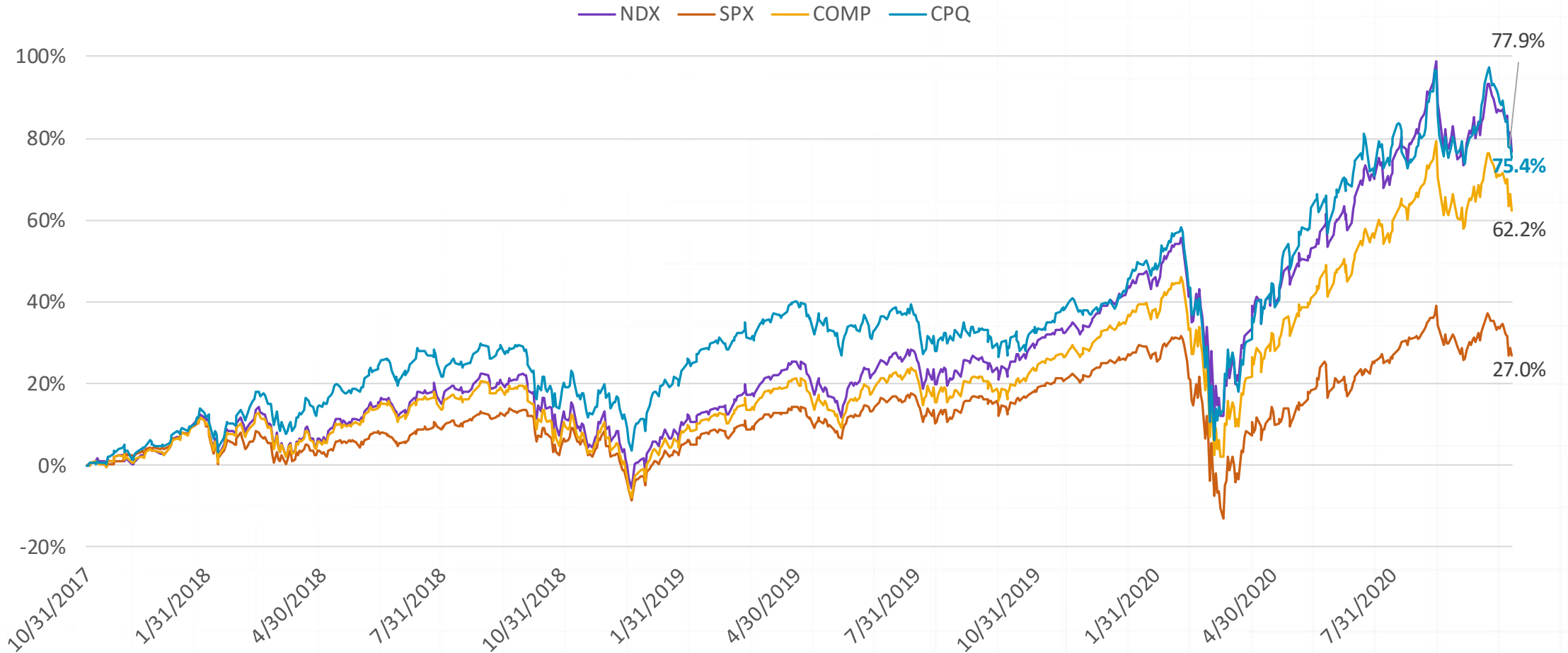
# YTD 2020 Index Performance

YTD 2020 Performance vs. Market Benchmarks thru November 16



# 3-Year Index Performance

3-Year CPQ Performance vs. Market Benchmarks thru October 30, 2020

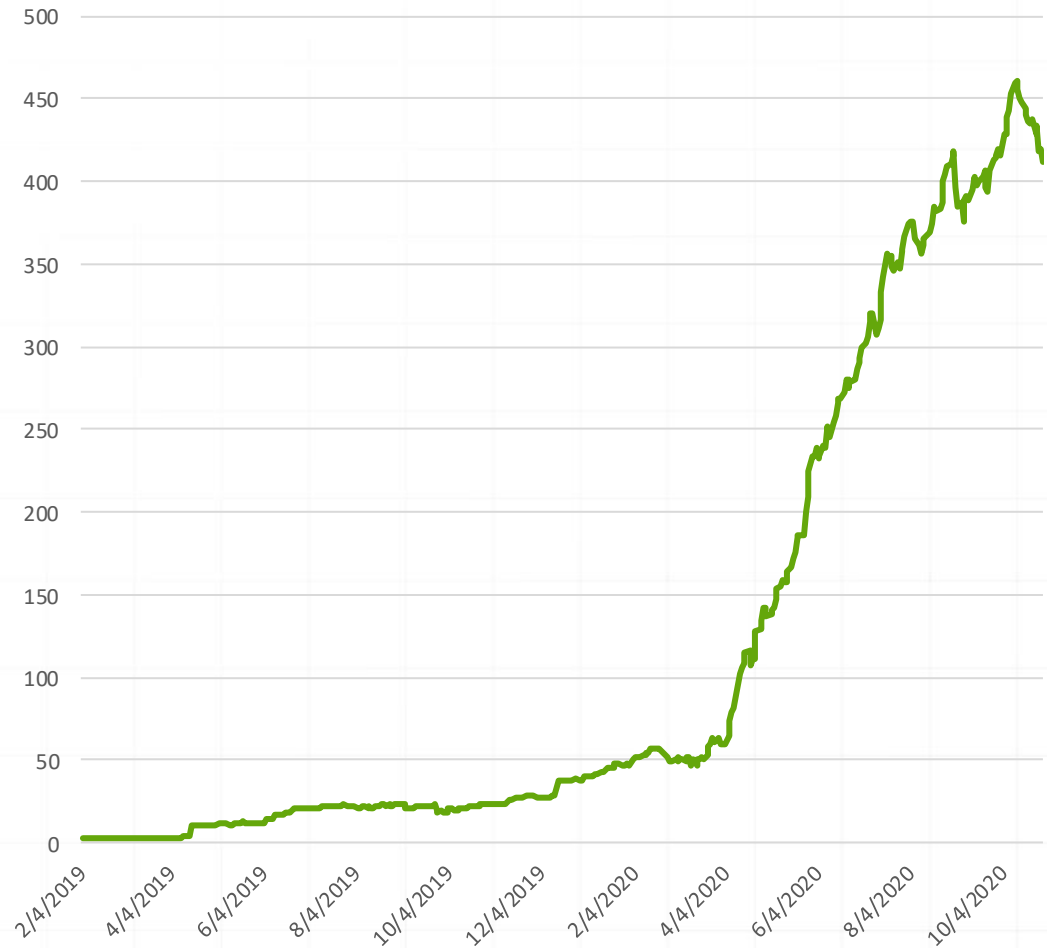


# CPQ ETF AUM

3-Year SKYY ETF AUM thru October 30, 2020 (\$B)



FSKY ETF AUM thru October 30, 2020 (GBP MM)



# Disclaimer

Nasdaq® is a registered trademark of Nasdaq, Inc. The information contained above is provided for informational and educational purposes only, and nothing contained herein should be construed as investment advice, either on behalf of a particular security or an overall investment strategy. Neither Nasdaq, Inc. nor any of its affiliates makes any recommendation to buy or sell any security or any representation about the financial condition of any company. Statements regarding Nasdaq-listed companies or Nasdaq proprietary indexes are not guarantees of future performance. Actual results may differ materially from those expressed or implied. 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.**

© 2020. Nasdaq, Inc. All Rights Reserved.