

# Scoping Out Top Performers in 2017

## PHLX Semiconductor Sector Index

Thus far into 2017, US Equity Markets have seen some wide dispersion in performance figures when comparing the numbers across the various sectors and industries. This low correlation environment has presented market participants with opportunities, particularly those who have continued to stay allocated towards outperformance and keeping minimal exposure to those which are lagging. One of the strongest performing sectors through the end of May has continued to be Semiconductors. Market participants can monitor performance on a basket of Semiconductor stocks by tracking the Nasdaq PHLX Semiconductor Sector Index. Below we've provided some quick facts and eligibility criteria. Additional information can be found at [https://indexes.nasdaqomx.com/docs/methodology\\_SOX.pdf](https://indexes.nasdaqomx.com/docs/methodology_SOX.pdf).

### Eligibility Criteria

- Listed on The Nasdaq Stock Market® (Nasdaq®), the New York Stock Exchange, or NYSE MKT;
- Be classified as a company whose primary business is involved in the design, distribution, manufacture, and sale of semiconductors under Industry Classification Benchmark (ICB) code 9576;
- Have a minimum market capitalization of at least \$100 million;
- Have traded at least 1.5 million shares in each of the last six months.

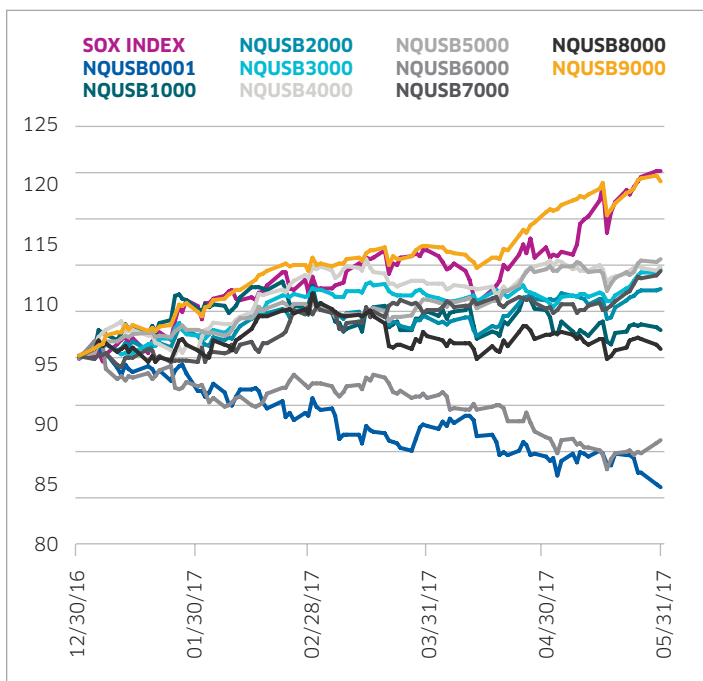
Moving back to sector performance thus far into the year (May 31, 2017), below is a summary of all the NQUSB Industry Indexes in comparison with the SOX Index. Note the wide dispersion which can be seen across the Indexes in the below graphics. For example, the SOX Index has notched impressive YTD gains of 20.40% as of May 31, 2017. Given its correlation to Semiconductors, it's not surprising NQUSB9000 (Technology) has similar performance and is up 19.28%. NQUSB0001 (Oil & Gas) has had the steepest decline thus far into the year, notching losses of -14.13%. NQUSB6000 (Telecom) has also lagged, falling -8.94%.

### INDEX QUICK FACTS

- The top 30 securities by market cap meeting all of the eligibility criteria are selected for inclusion
- Modified market cap weighted index
  - At each quarter, the Index is rebalanced such that the maximum weight of any Index Security does not exceed 8% and no more than 5 securities are at that cap
- Index inception date: December 1, 1993

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SOX Index	20.40%
NOU5B0001	-14.13%
NOUSB1000	3.01%
NOUSB2000	7.58%
NOUSB3000	9.65%
NOUSB4000	10.07%
NOUSB5000	10.88%
NOUSB6000	-8.94%
NOUSB7000	9.51%
NOUSB8000	0.83%
NOUSB9000	19.28%

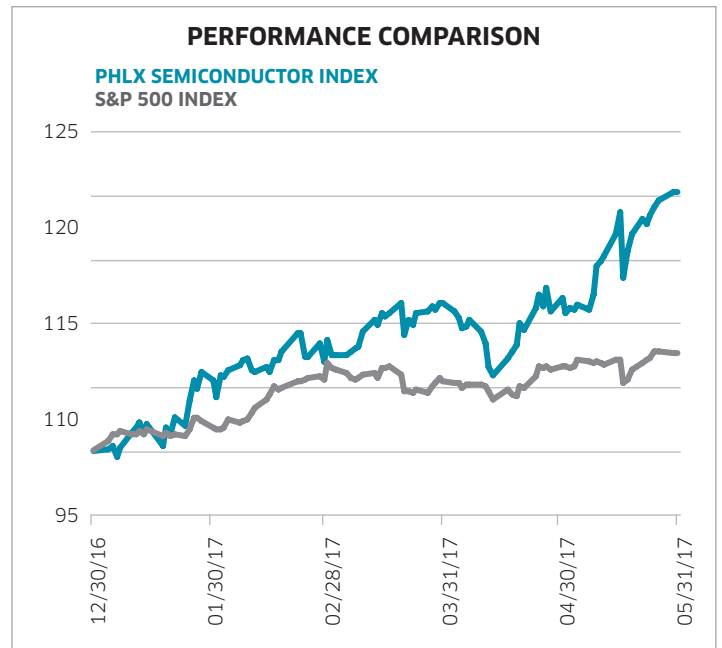


### SOX vs SPX: December 30, 2016 - May 31, 2017

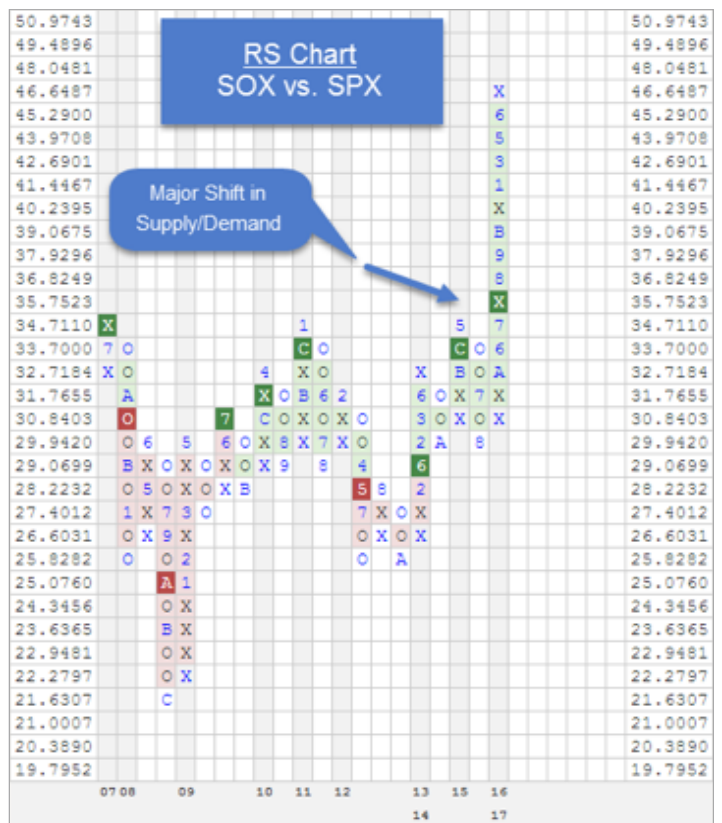
Now that we have an idea for how the PHLX Semiconductor Sector Index has performed versus a number of Nasdaq Industry Indexes, let's get an idea for how it has performed versus the S&P 500 Index. As we can see on the performance comparison chart on the right, the real divergence this year started to take place in mid-January. Although the SOX Index has suffered a few steep corrections, most notably in early April, the strong surges higher have continued to help it outperform the S&P 500 Index on a year to date basis.

The Nasdaq Dorsey Wright Relative Strength Chart on the right also compares performance between the two indexes only it uses a relative strength ratio plotted on a point and figure chart to do so. The chart

displays data going back to 2007, and shows the major outperformance over the past two years when the ratio (SOX vs SPX) broke out above 35.75 level. This type of major shift in supply and demand has certainly helped drive the Sox Index impressive outperformance over the SPX.

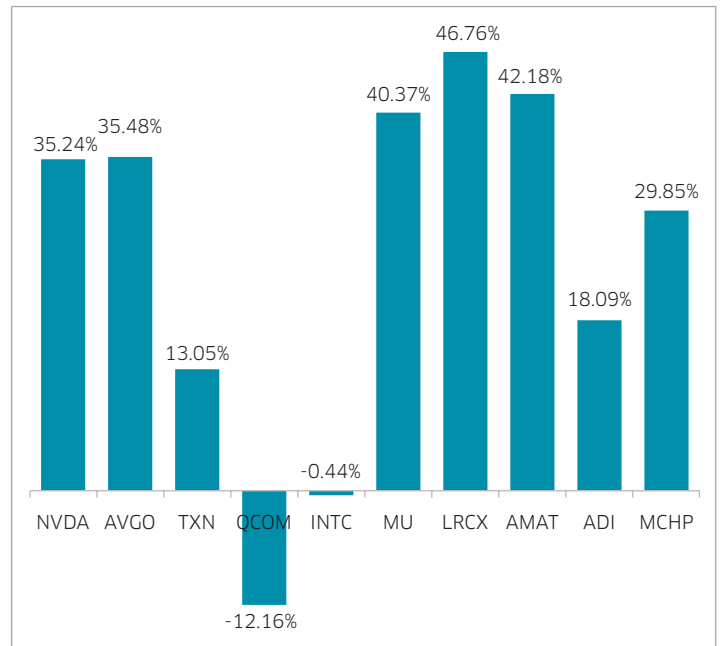
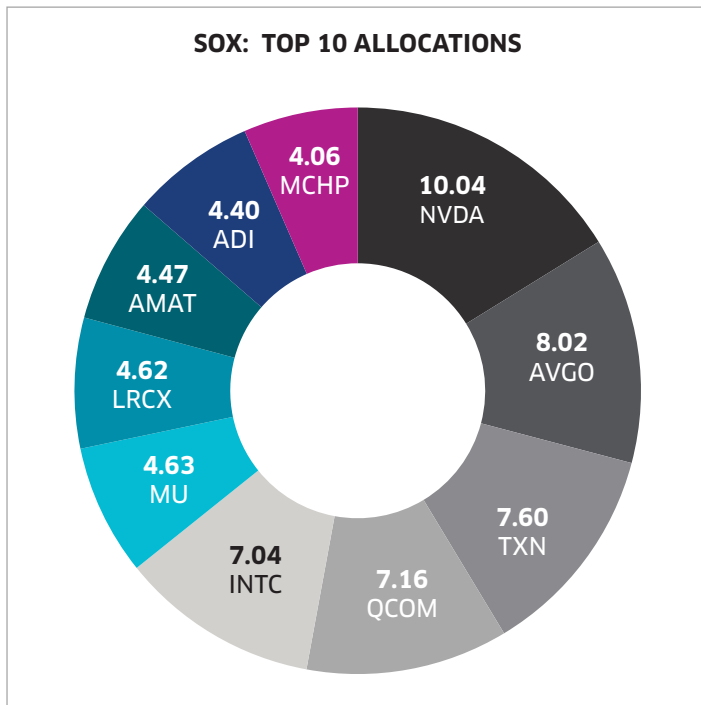


### NASDAQ DORSEY WRIGHT RELATIVE STRENGTH CHART



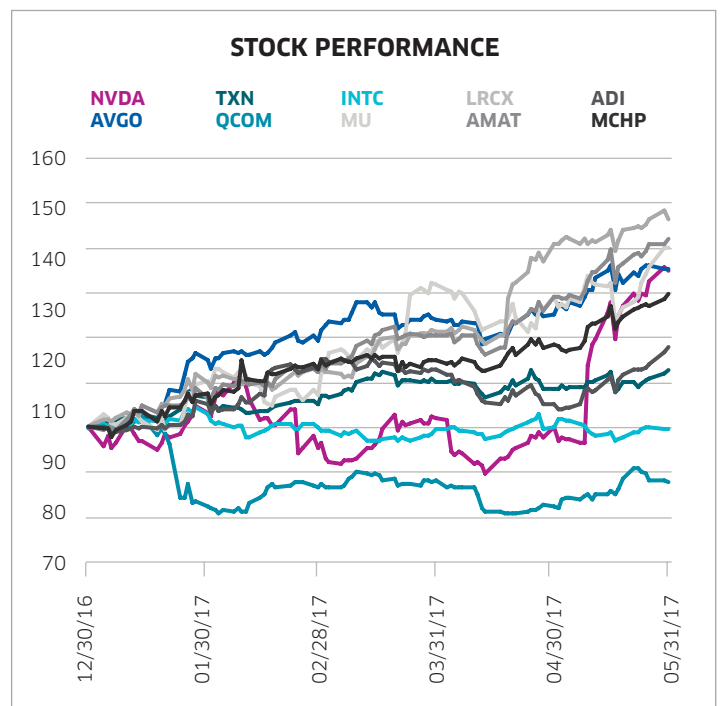
## SOX Top 10 Allocations: May 31, 2017

Below we've listed the top 10 holdings as of May 31, 2017. The individual weights with the top 10 holdings ranged as high as 10.04% (NVDA) to 4.06% (MCHP). Some of the other well-known semiconductor names within this group include Micron (MU), Intel (INTC), and Texas Instruments (TXN). Performance for each of these holdings will be discussed next.



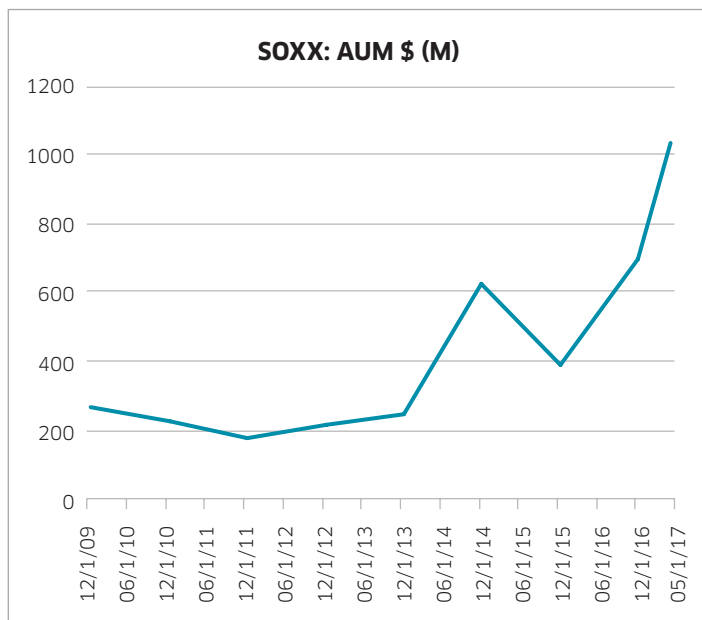
## Individual Stock Performance (SOX - Index Top 10 Allocations): December 30, 2016 - May 31, 2017

There have certainly been some impressive gains seen within these holdings as far as YTD performance in concerned. Leading the way the way was LRCX with an impressive increase of 46.76%. AMAT (+42.18%), MU (40.37%), and AVGO (35.48%) were the next to follow. NVDA (being the largest holding as we noted above), also notched an impressive 35.24% gain. A few of the notable laggards were as follows: QCOM (-12.16%) and INTC (-0.44%). We can see throughout the year thus far the volatility when comparing the leaders and the laggards has certainly varied.

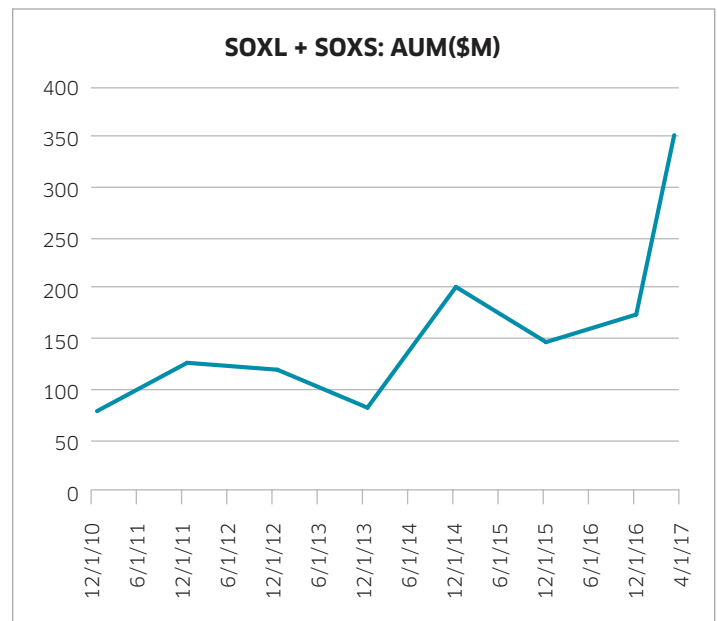


## SOXX Assets

Finally, we will take a look at the recent historical AUM of the iShares ETF (SOXX) that tracks the PHLX Semiconductor Sector Index. Below we can see the AUM of SOXX beginning in December 31, 2009, and at most recent month end of May 31, 2017. The large jump in AUM really occurred starting in 2014, and then tended to level off a bit during 2015 and 2016. Just recently, the fund has seen another push higher and as of May 31, 2017, was just just over \$1B.



In addition to iShares ETF, there are +3x (SOXL) and -3x (SOXS) ETFs offered by Direxion that track the SOX Index. These two products have also shown strong asset movement. Below is a graphic confirming the growth in assets of both these products combined since their inception on March 11, 2010.



## Conclusion

This paper begins by highlighting the impressive YTD performance seen thus far in the PHLX Semiconductor Sector Index. We highlighted the dispersion seen amongst the sectors in the US Equity market, with Semiconductors continuing to lead while others such as Retail and Energy have continued to lag. The PHLX Semiconductor Sector Index is concentrated towards the very strong sector that has seen an increase in everyday fundamental demand has helped it become one of the top performing sectors this year. Investors can gain exposure to the PHLX Semiconductor Sector Index through the corresponding iShares ETF (SOXX) or leveraged/inverse ETFs offered by Direxion (SOXL and SOXS). In addition, for those investors interested in derivatives tied to indexes, the SOX Index has options tied to it.

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