

Nasdaq Next Generation 100™ Index: “Farm Team” for the Nasdaq-100®

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The Nasdaq Next Generation 100™ (NGX™) was launched on August 24, 2020 to offer investors a benchmark to track the same type of innovation-driven companies that are part of the Nasdaq-100 (NDX®), but residing mostly within the midcap size spectrum. The index functions as a natural complement to the Nasdaq-100, and is particularly useful as a means of gaining exposure to companies that stand a reasonable chance of graduating into the Nasdaq-100 at a future date, but are still in an earlier stage of growth. In other words: a “farm team” for the Nasdaq-100 that is predominantly composed of early-stage Nasdaq-listed innovators.

Reasons to consider NGX:

- Very similar methodology to the Nasdaq-100, and no overlap
- On average, six NGX companies “graduate” into the Nasdaq-100 each year
- NGX graduates tend to outperform, on average, prior to graduation and receive much higher index weightings while in NGX than they do upon joining the Nasdaq-100
- Much lower single-company concentration in NGX than NDX (2.0% max weight as of December 31, 2025)
- Only ~30% exposure to the Technology sector (based on ICB Industry) vs. ~60% for NDX, but overall still ~73% exposure to the top 3 “new economy” sectors (Tech + Consumer Discretionary + Health Care)
- Scores highly on key measures of innovation (R&D spending, patent filings) vs. midcap benchmarks
- Substantial exposure to key investment themes driving economic growth in the 21st century
- Recent performance trends highly favorable vs. competitor benchmarks: NGX up 19.6% in 2025 on a price-return basis vs. S&P Midcap 400 up 5.9% / Russell Mid Cap Growth up 8.0% (Source: Bloomberg)

Methodology Overview

The next 100 largest Nasdaq-listed issuers by market capitalization that are not in the Nasdaq-100 Index are selected for inclusion in the Nasdaq Next Generation 100 Index at each annual reconstitution in December. To be eligible for inclusion in the index, a security must meet the existing Nasdaq-100 Index® eligibility criteria.

The Nasdaq Next Generation 100 Index follows the same annual reconstitution and quarterly rebalancing schedule as the Nasdaq-100 Index. The index employs modified market capitalization weighting, with individual securities capped at a max weight of 4%. See full index methodology [here](#).

Nasdaq Next Gen 100: Steady Pipeline for Nasdaq-100 Graduates

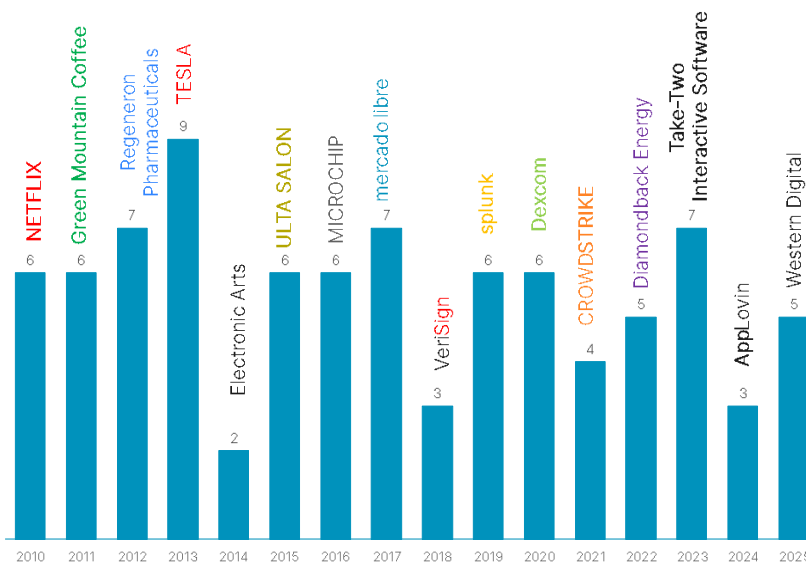
Since 2010, a total of 88 NGX constituents have “graduated” into the Nasdaq-100. Some well-known examples are Netflix in 2010, Tesla in 2013, CrowdStrike in 2021, and AppLovin in 2024. Most recently, Western Digital – a leading technology hardware storage company with a market cap in excess of \$50B – graduated from NGX into NDX on December 22, 2025. Its total return in the 12 months leading up to graduation was just under 300%.

Looking at the full history of NGX graduates, a compelling argument comes into focus for adding exposure to these names before they’re added to NDX: their performance tends to be much better in the 12 months

leading up to graduation (73.6% median, 90.9% average) than in the 12 months following graduation (14.8% median, 14.4% average). Their weights also drop precipitously as they exit one index and enter another. The largest NGX constituents tend to top out at around a 2-3% weighting (hard cap at 4%), while the smallest NDX constituents can be weighted as low as 0.10%. Thus a compounding effect is observed, wherein the most successful NGX companies outperform and do so at higher weights, driving overall index performance higher; once they join NDX, they tend to (initially) underperform – but at such low weights so as not to exert a measurable downward impact on index performance.

NGX Names Added to Nasdaq-100, 2010-2025

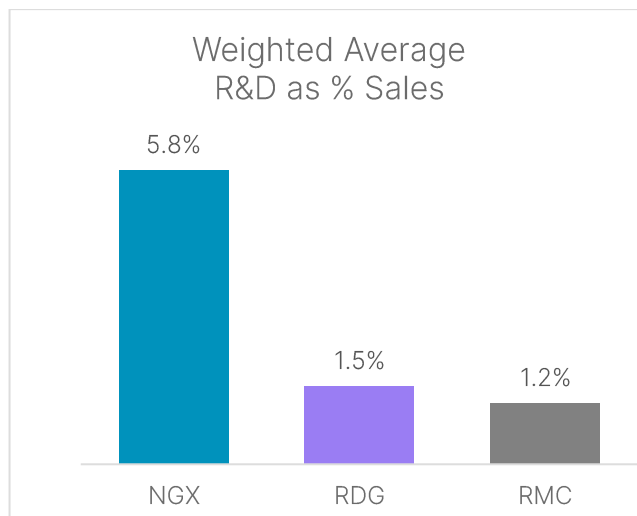
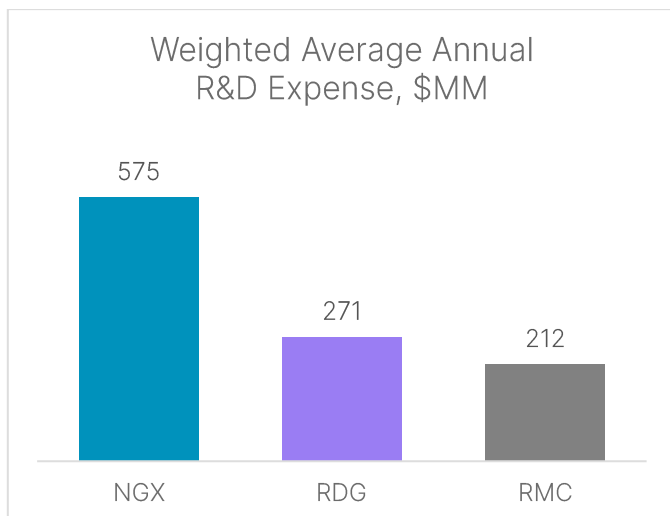
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- Some well-known examples are Netflix in 2010, Tesla in 2013, CrowdStrike in 2021, and AppLovin in 2024
- As of December 31, 2025, 36 of the current 100 companies in the Nasdaq-100 had graduated from the Nasdaq Next Generation 100 Index at some point over the past decade (based on simulated backtest and live results)



Source: Nasdaq Data as of 12/31/2025.

As of December 31, 2025, 36 of the current 100 companies in the Nasdaq-100 had graduated from the Nasdaq Next Generation 100 Index at some point over the past 16 years (based on simulated backtest and live results). Collectively they represent 18% of the Nasdaq-100’s index weight.

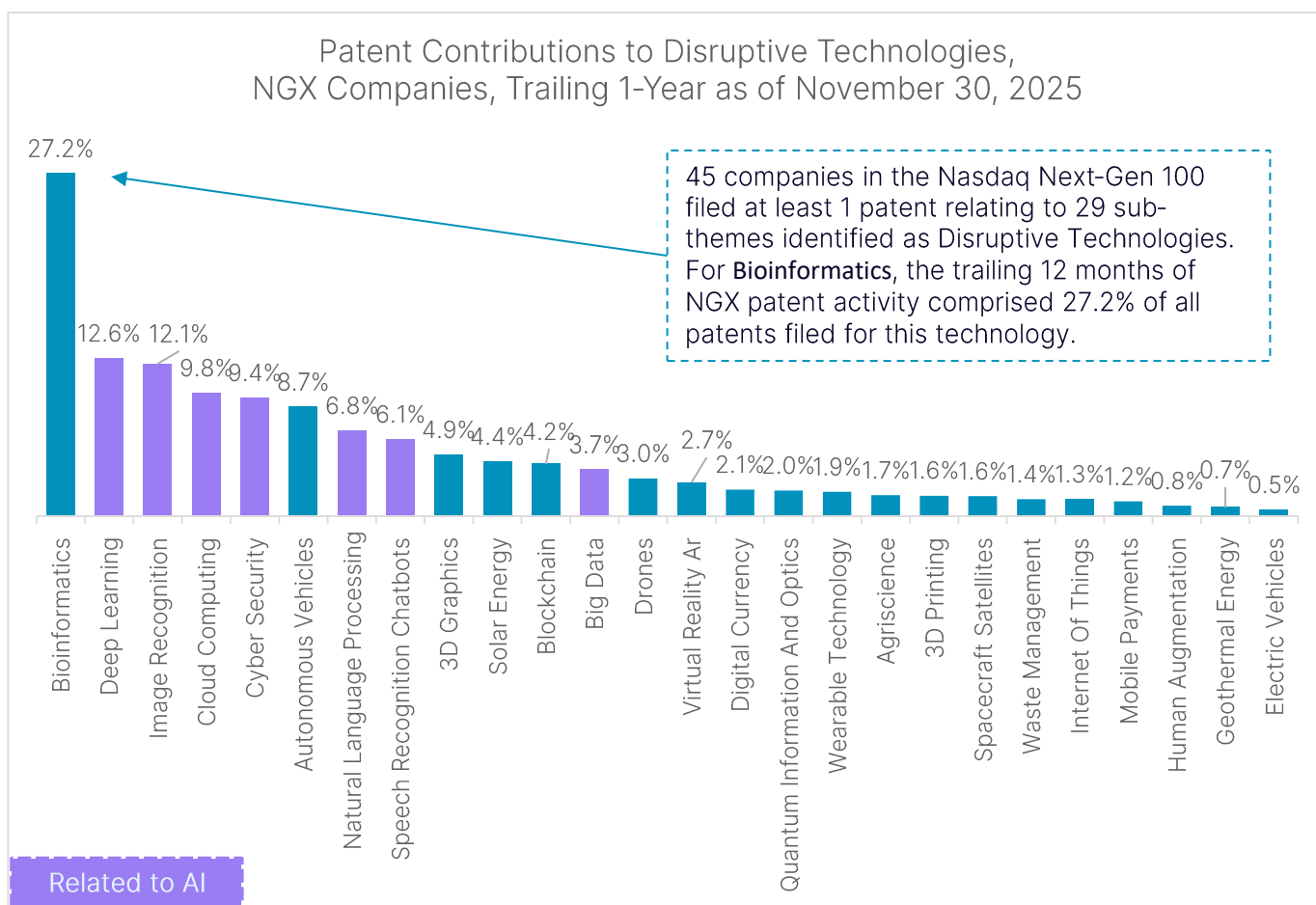
NGX Companies Score Highly on Innovation Metrics vs. Other Midcap Benchmarks



Source: Nasdaq, Factset as of 12/31/2025.

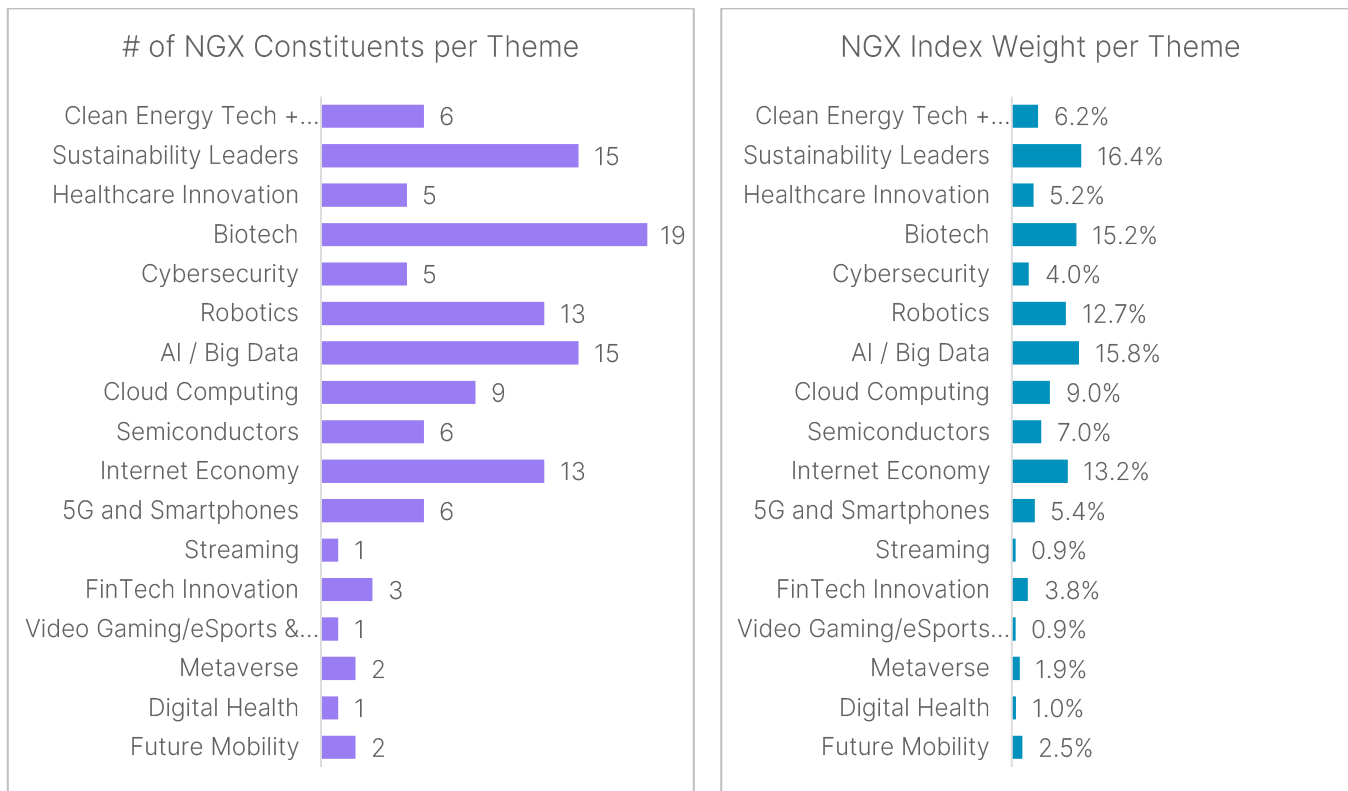
Just as the Nasdaq-100 consistently scores better than large cap benchmarks like the S&P 500 on innovation metrics such as R&D spending, patent contribution ratios and patent portfolio valuations, so too does the Nasdaq Next Generation 100 outperform its midcap competitor benchmarks on all of these measures. Compared to the Russell Mid Cap Growth Index (RDG), NGX constituents spent 2.1 times as much on R&D on a weighted average basis, and 3.8 times as a percentage of sales, in the most recent trailing four quarters of data as of December 31, 2025. Compared to the broader Russell Mid Cap Index (RMC), NGX companies spent nearly 2.7 times more on R&D on a weighted average basis, and 5.0 times as much as a percentage of sales.

NGX punches well above its weight in terms of patent contributions to a number of important disruptive tech areas including several that are closely tied to Artificial Intelligence, such as Bioinformatics (27% of all patents filed across ~20,000 publicly listed companies), Deep Learning (13% patent contribution), and Image Recognition (12%). In terms of overall patent valuations across all areas, the 80 NGX companies with assigned patent values as of 12/31/2025 (per IPR Strategies) sported an average value of \$243 million, nearly double the \$128 million average across the 254 companies with assigned values in the broader S&P Midcap 400 Index.

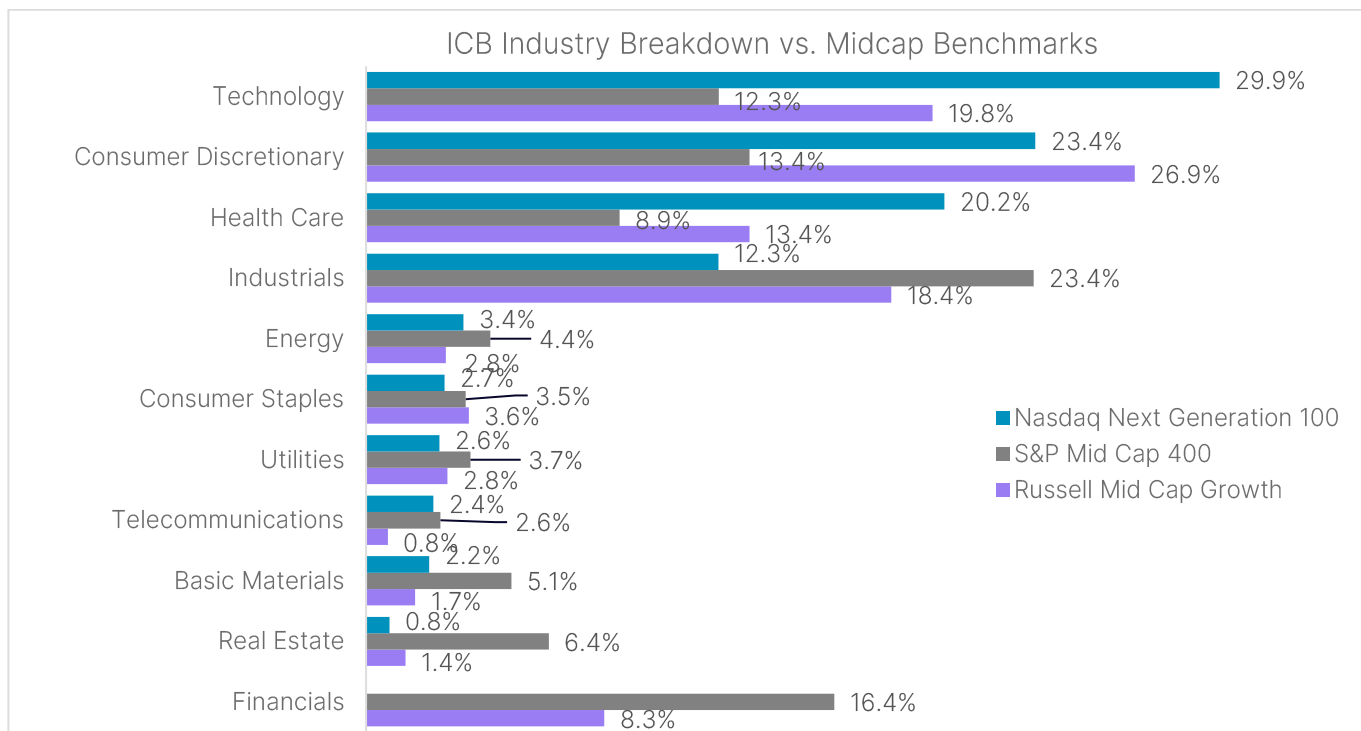


NGX Thematic Exposures

Reinforcing the idea that NGX provides significant exposure to some of today’s most important innovation-oriented investment themes is the simple analysis of the index’s overlap with various indexes that Nasdaq (or, in a few cases, competitor index providers) maintains to provide targeted thematic exposure. As of December 31, 2025, 15 of the index’s constituents were also featured in one or more of Nasdaq’s AI indexes. Biotech was overall strongest with 19 overlapping constituents, while Sustainability Leaders and AI / Big Data were nearly tied for the most index exposure at ~16% apiece.



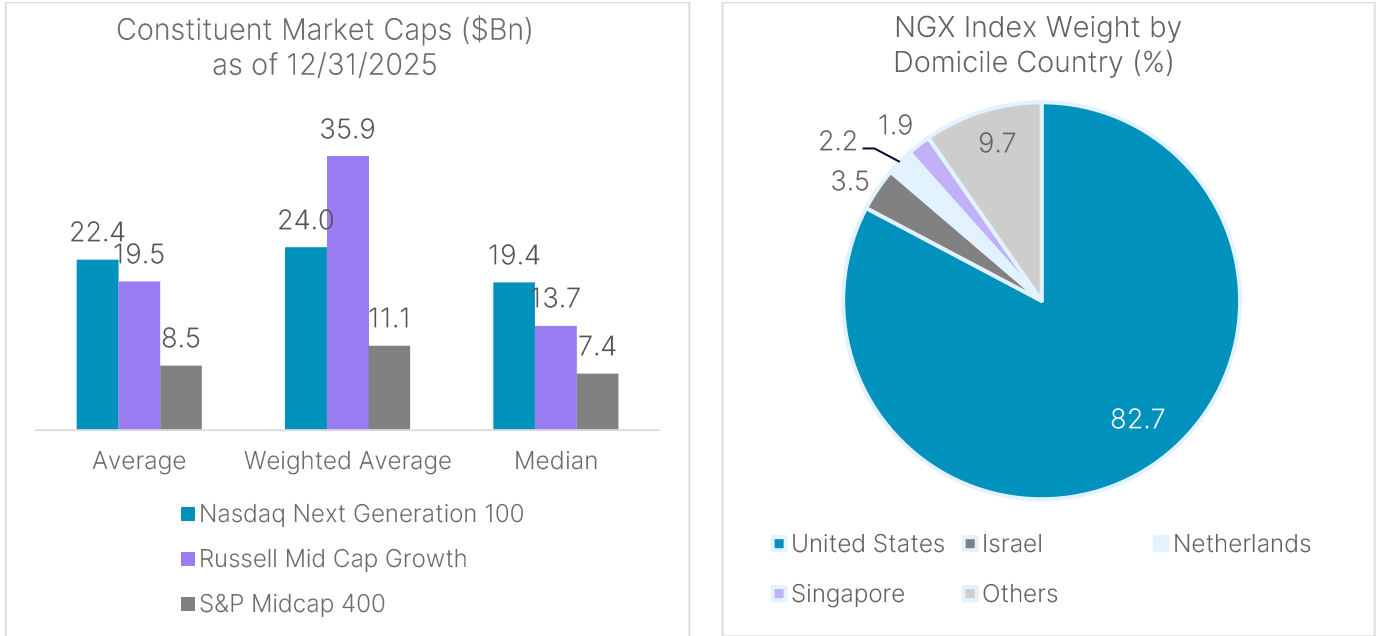
NGX Sector Exposures: Less Concentrated in Tech than NDX, Similar Exposure to “New Economy”



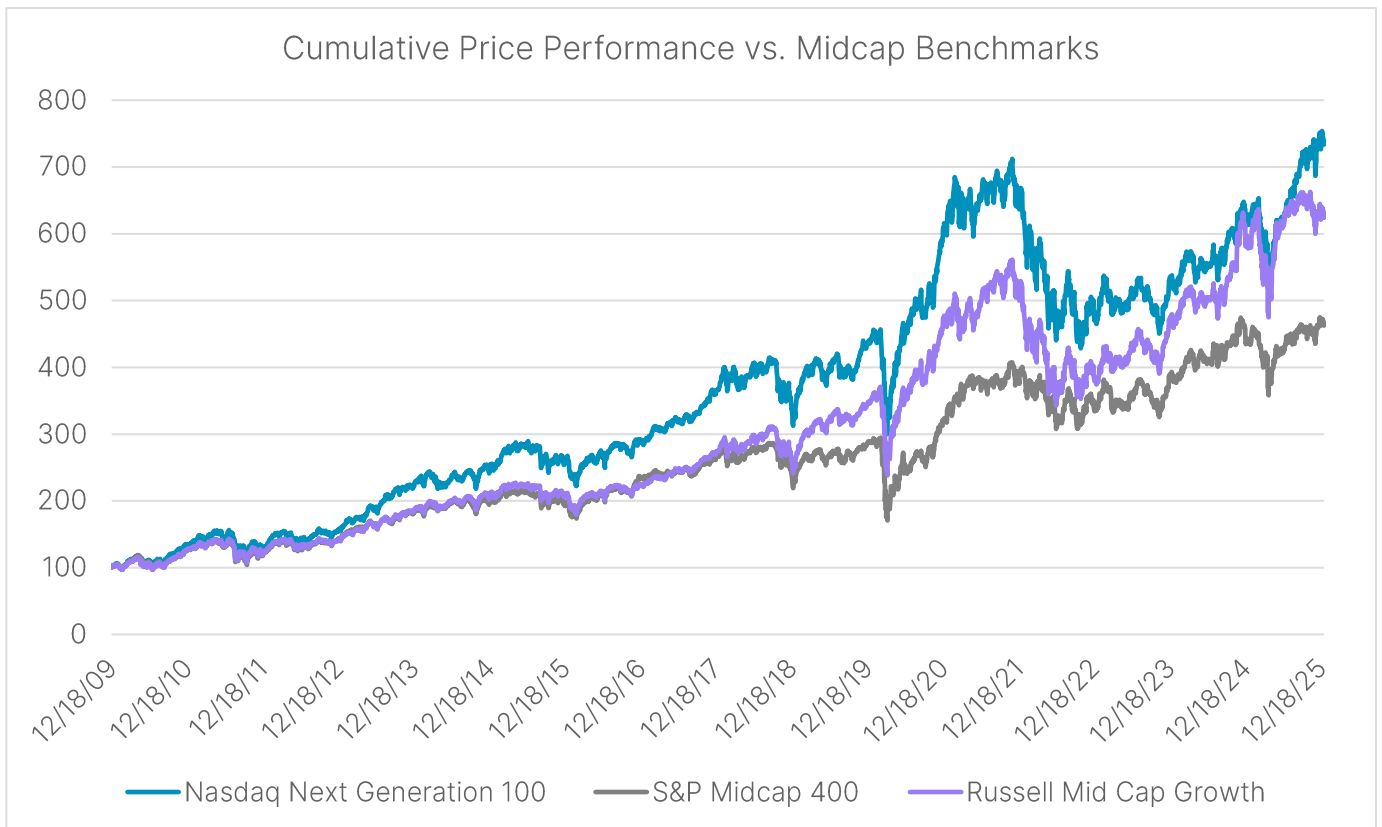
The Nasdaq Next Generation 100 is generally overweight Technology, Health Care, and Consumer Discretionary compared to S&P Midcap 400 and Russell Mid Cap Growth. Despite having substantially less Tech exposure than the Nasdaq-100, the combined weighting across these three “new economy” sectors is similar at approximately 73%, vs. 87% for NDX, as of December 31, 2025. It is underweight most other sectors relative to broader midcap benchmarks, just as NDX is vs. broader large cap. No exposure to Financials by design, just like the Nasdaq-100.

NGX vs. Midcap Benchmarks: Higher End of Midcap + International Diversification

The Nasdaq Next Generation 100 Index tilts much smaller than the Nasdaq-100, but still meaningfully above the S&P Midcap 400 – closer to the Russell Mid Cap Growth. It also maintains a sizable international allocation (~17% of index weight), due to a relatively large number (20) of non-US-headquartered, Nasdaq-listed companies. This is a unique feature relative to the other midcap benchmarks which select only US-based companies.



NGX vs. Midcap Benchmarks: Outperformance Mirrors NDX vs. S&P 500



Compared to the S&P Midcap 400 Index, the Nasdaq Next Generation 100 Index has delivered impressive (blended live and backtested) outperformance over an extended time horizon, up 634% on a price-return basis from December 18, 2009 – December 31, 2025, vs. only 362% for its competitor benchmark. On an annualized basis, that translates to more than 300 bps of outperformance each year (13.2% vs. 10.0%), before dividends. The Russell Mid Cap Growth (+542%) performed better than the S&P Midcap 400, but not enough to outperform NGX.

2025 was a particularly strong year of relative performance for NGX, gaining 19.6% on a price-return basis vs. only 5.9% for S&P Midcap 400 and 8.0% for Russell Mid Cap Growth. This trailed the Nasdaq-100's performance of 20.2% by less than 100 bps, substantially narrowing the performance gaps seen in 2023/2024 – and potentially indicating a reversion in the long-running trend of large caps outperforming mid caps across the US equity market.

NGX Can Offer Investors a Natural Midcap Complement to NDX Exposure

With its similar, derived methodology, the Nasdaq Next Generation 100 Index offers a straightforward, logical complement to the Nasdaq-100, one of the most tracked indexes in existence and a perpetual leader in growth and innovation. With its natural exposure to predominantly midcap companies, and less dramatic weightings toward Technology as a sector, it also provides instant diversification to existing investors in Nasdaq-100 tracking products. Its tighter range of constituent market caps ensures both less concentration at the top end of the spectrum, as well as more meaningful allocations to fast-growing, newer additions to the index at the bottom end. With a similarly high level of R&D intensity, a meaningful subset of Nasdaq Next Generation 100 companies are often in a position to graduate into the ranks of the Nasdaq-100.

ETFs currently tracking the Nasdaq Next Generation 100 Index include the Invesco Nasdaq Next Generation 100 ETF (Nasdaq: QQQJ), the Invesco Nasdaq Next Gen 100 Index ETF – CAD (Canada: QQJR) & CAD Hedged (Canada: QQJR.F), the Invesco Nasdaq Next Generation 100 UCITS ETF (London: EQQJ), the Betashares Nasdaq Next Gen 100 ETF (Australia: JNDQ), and the Mirae Asset TIGER NASDAQ Next 100 ETF (South Korea: 429010).

Sources: Nasdaq Global Indexes, FactSet, Bloomberg, IPR Strategies.

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