Product Guide:

Nasdaq-100 Index®

The Nasdaq-100® represents innovation and growth via many of the world's most remarkable companies; trailblazers instrumental in shaping our future.

What is the Nasdaq-100®?

The Nasdaq-100® is a globally recognized index that tracks the performance of 100 of the largest non-financial companies listed on the Nasdaq Stock Market®, encompassing a diverse range of industries and sectors. From technology and retail to healthcare, telecommunications, biotechnology, transportation, media, and services, these companies collectively shape the new 21st century economy.

What does it do?

The Nasdaq-100® serves as a comprehensive indicator of market trends and performance of innovative companies across various sectors and industries and is currently heavily weighted toward technology. It aims to track the performance of both established industry giants and up-and-coming innovators to provide a reflection of the ever-evolving business and technology landscape, where groundbreaking advancements are constantly being made.

How does it do this?

Behind the scenes, constructing the Nasdaq-100 Index® follows specific steps to ensure accuracy in representing the market.

How it's built:

For companies to be included, they must meet certain criteria. Each company must:

- Hold registration as a company within the United States of America
- Be listed on the Nasdaq Stock Exchange;
  - Or, if the company has recently moved their listing to Nasdaq, they must have traded on another major exchange* for at least three consecutive months
- Be classified as a 'Non-Financial company' (any industry other than Financial)**
- Have an average of at least 200,000 shares traded every day for three months. This is called trading volume and determines a company's **liquidity**.
- Currently, not be involved in bankruptcy proceedings.

Liquidity means how quickly you can buy or sell something without affecting its price. It's important because it makes trading easy and fast, keeps prices stable, and reduces risk. If an asset is liquid, it means there are many buyers and sellers, making the market for that asset busier and more attractive to investors. Think of it like having a lot of money to show that they are a big and important company.

Now that they're eligible, how do they get selected?

The eligible companies are ranked based on their market value, and the largest companies are included in the Nasdaq-100®.

What happens when they join the Nasdaq-100®?

As the Nasdaq-100® is a modified **market capitalization-weighted index**, companies are assigned different weights based on their market value or size. Bigger companies carry more weight and thus have a bigger impact on the overall performance of the index.

For example, let's say we have two companies in the Nasdaq-100®: Company A and Company B. If Company A has a market value of $10 billion and Company B is at $1 billion, Company A would have a higher weight because it's bigger.

How it's maintained

The Nasdaq-100® remains up-to-date through routine revisions and possible recalibrations of the weightings of its included companies. These quarterly reviews, performed four times yearly, enable the index to keep pace with any market shifts. Additionally, an annual **reconstitution** happens every December for further updates and adjustments.

To ensure fairness and accuracy, the Nasdaq-100® adheres to a predefined set of rules known as its methodology during each quarterly review. These rules serve as guidelines, providing an unbiased representation of the largest non-financial companies. Factors like company size and industry classification are carefully considered to make objective decisions.

By following this methodology, Nasdaq maintains the integrity of the Nasdaq-100® as a true reflection of ongoing innovation in the market.

A **market capitalization-weighted index** is a way to measure the value of a group of stocks where bigger companies hold more weight. In this kind of index, changes in the price of larger companies have a greater impact on the overall index value.

An index **reconstitution** is like a yearly check-up for an index. It's when the list of companies in the index is reviewed and updated. If a company no longer meets the criteria to be on the list, it's removed. Similarly, new companies that meet the criteria are added. This ensures the index accurately represents the market or sector it's designed to track.

Did you know

When you hear the term "overweighted exposure" about a specific company, it means that the company has more influence within the index compared to others. This usually happens when a company's market value increases, making it more valuable overall. Conversely, when you come across the term "underweight exposure" in the context of a particular company, it signifies that the company has less influence within the index compared to others. This typically occurs when a company's market value decreases, making it less valuable overall.

How this index is then used:

While you can't invest directly in the Nasdaq-100 Index®, there are alternative investment options that closely replicate its performance. One such option is investing in **Exchange-Traded Funds (ETFs)** and **Mutual Funds**. These investment products are designed to mimic the stocks and weights of the Nasdaq-100® index by holding a portfolio of stocks from the index.

In addition to being an investment opportunity, the Nasdaq-100® also serves as a benchmark for analyzing the overall market. It provides insights into how the technology sector and other innovative industries are performing. Many investors, analysts, and financial professionals use the Nasdaq-100® as a reference point to assess market trends and make informed investment decisions.

Want to learn more about the Nasdaq-100®?

Our Education Page is your gateway to the most recent research and insights, specifically curated to enhance your understanding of the Nasdaq-100®.

An **Exchange-Traded Fund (ETF)** is like a basket of various stocks or bonds that you can buy and sell on a stock exchange, similar to how you would trade an individual share. It's designed to follow the performance of a particular group of assets or an index.

A **mutual fund** is like a pool where many investors put in their money. This pool is managed by a professional, known as a portfolio manager, who uses the money to buy a variety of stocks, bonds, or other assets. Each investor in the mutual fund owns shares, which represent part of these holdings. Unlike ETFs, mutual fund shares are not traded on an exchange and are bought and sold at the end of the trading day at their net asset value

Footnotes

* The security must have traded for at least three full calendar months, not including the month of initial listing, on an eligible exchange, which includes Nasdaq (Nasdaq Global Select Market, Nasdaq Global Market, or Nasdaq Capital Market), NYSE, NYSE American or CBOE BZX. Eligibility is determined as of the constituent selection reference date, and includes that month. A security that was added to the index as the result of a spin-off event will be exempt from the seasoning requirement

** According to the Industry Classification Benchmark (ICB), a product of FTSE International Limited that is used under license.