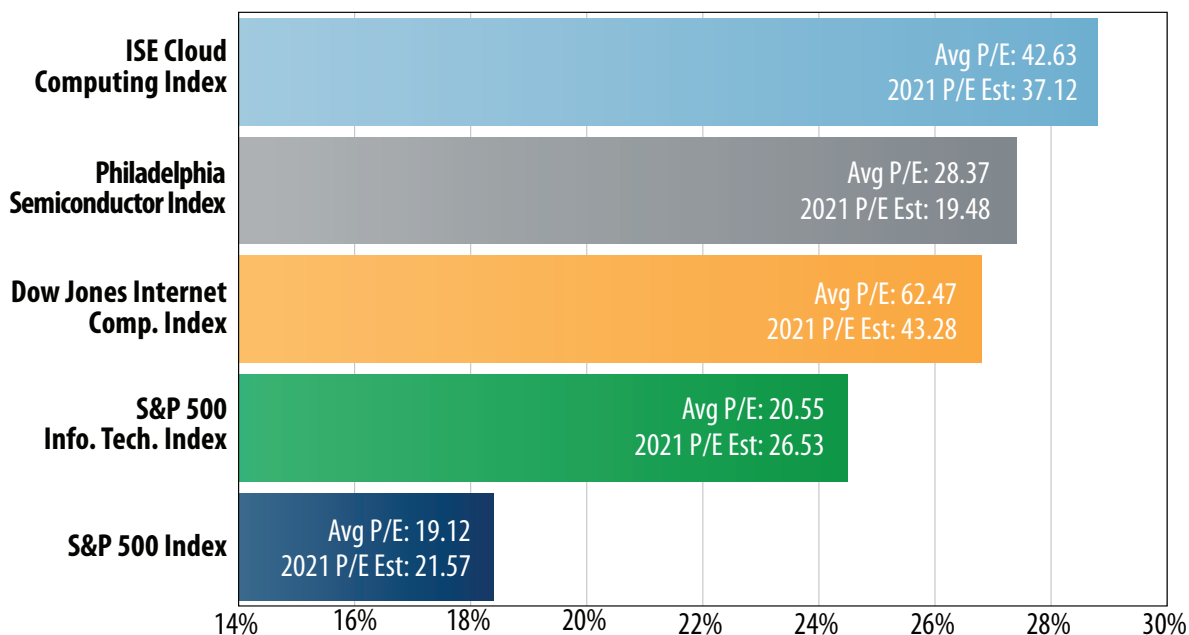


Technology Stocks Have Delivered Strong Returns Since The End Of The Financial Crisis-Induced Bear Market

Average Annualized Total Returns (3/9/09-10/8/21)



Source: Bloomberg. 2021 P/E estimates are year-end. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. From 3/9/09-10/8/21, all four of the technology-related indices featured in the chart significantly outperformed the S&P 500 Index.
2. The average annualized total returns for the period were as follows: ISE Cloud Computing Index (+28.81%); Philadelphia Semiconductor Index (+27.40%); Dow Jones Internet Composite Index (+26.84%); S&P 500 Information Technology Index (+24.54%); and S&P 500 Index (+18.39%), according to Bloomberg.
3. While we acknowledge that the U.S. stock market, as measured by the S&P 500 Index, did endure another bear market (COVID-19-induced) from 2/19/20 through 3/23/20, it came and went so quickly that it proved little more than a hiccup for the equities markets. A bear market is defined as a 20% or greater decline in the price of a security or index.
4. From 2/19/20-10/8/21, which includes the aforementioned bear market, the S&P 500 Index posted a cumulative total return of 33.19%, according to Bloomberg. The top-performing sector was Information Technology, with a total return of 50.56%.
5. As of 10/11/21, Information Technology accounted for 27.62% of the S&P 500 Index, the largest weighting of the major sectors by far, according to Bloomberg. Health Care came in a distant second with a weighting of 12.95%.
6. As indicated within each of the bars in the chart, price-to-earning (P/E) ratios have gotten stretched for some of the indices. That means investors will be paying more in price for a dollar's worth of earnings. That is certainly the case for cloud computing – the top-performer in the chart above. As can often be the case within the technology sector, its elevated P/E ratio could be in response to its growth prospects.
7. International Data Corporation (IDC) estimates that total worldwide spending on cloud services, including hardware, software and professional/managed services, will rise from \$706.6 billion in 2021 to \$1.3 trillion by 2025, according to its own release. IDC is targeting a compound annual growth rate of 16.9% through 2025.

The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment. The index performance data excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The ISE Cloud Computing Index is a modified equal-dollar weighted index designed to track the performance of companies actively involved in the cloud computing industry. The Dow Jones Internet Composite Index is a modified capitalization-weighted index designed to track companies involved in Internet-related activities. The Philadelphia Semiconductor Index is a modified capitalization-weighted index comprised of companies that are involved in the design, distribution, manufacturing, and sale of semiconductors. The S&P 500 Information Technology Index is capitalization-weighted and comprised of S&P 500 constituents representing the technology sector.

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