

## About the Innovation $\alpha$

**The Conference Board Innovation  $\alpha$  Index powered by M•CAM** features 120 global and 100 US rankings of large public companies in two separate indexes. The constituent companies in the indexes are expected to generate higher stock market performance than those that are not in the index because they invest in intangible assets and effectively deploy their innovations. The US and global indexes enable a direct look at the financial outcomes of the companies' innovation activity that arises out of their intangible investments such as patents, trademarks and copyrights.

The indexes demonstrate that companies that focus on innovations – those protected with proprietary rights – will perform better in financial markets in the long-term. The companies in the indexes are weighted according to each firm's ability to invest in, develop, control and deploy intellectual property to achieve strategic advantage over competitors. The index is rules-based and is reweighted quarterly on the first trading day of January, April, July and October. The index is also reconstituted annually on the first trading day of January. During the reconstitution, up to ten percent of the index components may be replaced. Stock prices and market capitalization are not factors in determining index weighting.

In the US index, the top five ranked companies (based on their index weights for Q3 of 2020) are Microsoft Corporation (Technology Services), Halliburton Company (Industrial Services), Procter & Gamble Company (Consumer Non-Durables), QUALCOMM Incorporated (Electronic Technology), General Electric Company (Electronic Technology).

In the global index, the top five ranked companies (based on their index weights for Q3 of 2020) have remained the same as in Q2. They are adidas AG, Bayer AG, BMW, Daimler AG, and Thales SA in the Consumer Non-Durables, Health Technology, Consumer Durables, Consumer Durables, and Electronic Technology sectors, respectively.

The tables below provide more information on sectors and changes in weights. More information on the innovation index is available in a white paper ([available here](#)), which details the methodology and results.

**Table 1: Innovation  $\alpha$  US and Global Indexes Latest Performance**

	2019Q3 Return (6/27/2019 - 9/26/2019)	2019Q4 Return (9/26/2019 - 12/27/2019)	2020Q1 Return (12/27/2019 - 3/27/2020)	2020Q2 Return (3/27/2020 - 6/26/2020)	Last Year Return (6/26/2019 - 6/26/2020)	Year-to- Date Return (1/2/2020 - 6/26/2020)
<b>Innovation <math>\alpha</math><sup>®</sup> US Index</b>	1.59%	6.98%	-23.06%	13.52%	-4.49%	-13.61%
<b>Russell 1000 Index</b>	1.62%	8.75%	-22.05%	19.55%	3.46%	-6.56%
<b>Innovation <math>\alpha</math><sup>®</sup> Global Index</b>	0.92%	8.64%	-24.35%	17.14%	-2.22%	-12.10%
<b>MSCI ACWI Index</b>	0.18%	8.62%	-22.97%	18.14%	-0.58%	-9.47%

Sources: The Conference Board and M•CAM

## TABLES

*The Conference Board Innovation  $\alpha$  United States Index powered by M•CAM<sup>1</sup>*

### *INAU Changes in Weights by Industry Classification*

Industry	2020Q3_Weight	2020Q2 Weight	Change
Information Technology Services	1.32%	7.22%	-5.90%
Semiconductors	7.05%	5.73%	1.32%
Computer Processing Hardware	0.88%	3.36%	-2.48%
Food: Major Diversified	1.96%	3.93%	-1.96%
Electronic Components	2.48%	1.93%	0.54%
Household/Personal Care	5.54%	3.80%	1.74%
Internet Software/Services	0.44%	1.49%	-1.05%
Computer Peripherals	0.88%	0.89%	-0.01%
Electronic Production Equipment	1.96%	0.89%	1.08%
Industrial Machinery	0.88%	0.89%	-0.01%
Integrated Oil	1.96%	0.89%	1.08%
Major Banks	0.88%	0.89%	-0.01%
Motor Vehicles	1.96%	0.89%	1.08%
Multi-Line Insurance	1.96%	0.89%	1.08%
Trucks/Construction/Farm Machinery	0.88%	0.89%	-0.01%
Data Processing Services	0.44%	2.44%	-2.00%
Chemicals: Major Diversified	0.44%	0.44%	-0.01%
Electronics/Appliances	0.44%	0.44%	-0.01%
Other Consumer Services	0.44%	0.44%	-0.01%
Real Estate Investment Trusts	0.44%	0.44%	-0.01%
Finance/Rental/Leasing	3.56%	1.93%	1.63%
Major Telecommunications	2.48%	2.41%	0.07%
Beverages: Non-Alcoholic	0.88%	1.93%	-1.06%
Life/Health Insurance	1.96%	1.93%	0.03%
Pharmaceuticals: Major	3.35%	6.34%	-2.98%
Electrical Products	1.32%	1.33%	-0.02%
Apparel/Footwear	0.44%	1.49%	-1.05%
Managed Health Care	0.44%	1.49%	-1.05%
Telecommunications Equipment	7.07%	6.43%	0.64%
Oilfield Services/Equipment	4.90%	2.82%	2.08%
Electronic Equipment/Instruments	0.44%	0.44%	-0.01%
Internet Retail	1.52%	0.44%	1.08%
Medical Distributors	0.44%	0.44%	-0.01%
Property/Casualty Insurance	0.44%	0.44%	-0.01%
Specialty Stores	0.44%	0.44%	-0.01%
Containers/Packaging	3.28%	2.22%	1.06%

<sup>1</sup> The index constituents' weights are changing on every trading day due to stock price fluctuations. The weights shown are determined on 6/29/2020 for INAU index as indicative values of the weights on 7/1/2020.

<b>Packaged Software</b>	7.11%	4.78%	2.33%
<b>Financial Conglomerates</b>	2.40%	2.38%	0.02%
<b>Aerospace &amp; Defense</b>	8.31%	9.06%	-0.75%
<b>Industrial Conglomerates</b>	4.59%	3.45%	1.14%
<b>Medical Specialties</b>	11.42%	9.00%	2.42%

\*The classification system is FactSet Revere Business Industry Classification System (RBICS).

Sources: The Conference Board and M•CAM

**INAG Changes in Weights by Industry Classification**

Industry	2020Q3_Weight	2020Q2 Weight	Change
Medical Specialties	9.00%	9.39%	-0.40%
Tools & Hardware	1.66%	1.85%	-0.18%
Property/Casualty Insurance	1.36%	1.59%	-0.23%
Information Technology Services	2.06%	2.63%	-0.57%
Computer Processing Hardware	0.83%	0.93%	-0.10%
Internet Software/Services	1.51%	1.77%	-0.26%
Electronics/Appliances	2.12%	2.31%	-0.18%
Household/Personal Care	2.34%	2.61%	-0.26%
Computer Peripherals	2.04%	2.15%	-0.11%
Miscellaneous Commercial Services	2.33%	2.04%	0.29%
Beverages: Non-Alcoholic	1.36%	1.49%	-0.13%
Chemicals: Specialty	0.68%	0.83%	-0.15%
Integrated Oil	1.94%	1.76%	0.18%
Apparel/Footwear	4.01%	4.28%	-0.26%
Industrial Machinery	1.51%	1.31%	0.19%
Oilfield Services/Equipment	1.36%	1.31%	0.05%
Oil & Gas Production	1.36%	1.31%	0.05%
Life/Health Insurance	1.36%	1.31%	0.05%
Trucks/Construction/Farm Machinery	1.94%	1.89%	0.05%
Chemicals: Major Diversified	0.91%	0.66%	0.26%
Other Consumer Services	0.68%	0.66%	0.02%
Data Processing Services	0.83%	0.66%	0.17%
Major Banks	0.68%	0.66%	0.02%
Home Furnishings	0.68%	0.66%	0.02%
Finance/Rental/Leasing	1.36%	1.49%	-0.13%
Auto Parts: OEM	1.26%	1.24%	0.02%
Electronic Production Equipment	1.40%	1.24%	0.17%
Multi-Line Insurance	0.83%	0.83%	-0.01%
Automotive Aftermarket	0.70%	0.58%	0.12%
Metal Fabrication	0.58%	0.58%	0.00%
Electronic Equipment/Instruments	2.31%	2.32%	-0.01%
Industrial Conglomerates	2.36%	2.41%	-0.05%
Pharmaceuticals: Major	7.43%	7.96%	-0.53%
Forest Products	0.98%	1.19%	-0.21%
Other Metals/Minerals	2.09%	2.04%	0.05%
Semiconductors	3.55%	4.48%	-0.93%
Containers/Packaging	2.04%	1.97%	0.07%
Packaged Software	3.09%	2.72%	0.37%
Major Telecommunications	1.51%	1.31%	0.19%
Engineering & Construction	1.11%	1.10%	0.01%
Internet Retail	1.00%	0.66%	0.34%

<sup>2</sup> The index constituents' weights are changing on every trading day due to stock price fluctuations. The weights shown are determined on 6/29/2020 4:30 pm ET for INAG index as indicative values of the weights on 7/1/2020.

<b>Steel</b>	0.68%	0.66%	0.02%
<b>Computer Communications</b>	0.68%	0.66%	0.02%
<b>Commercial Printing/Forms</b>	0.68%	0.66%	0.02%
<b>Recreational Products</b>	1.57%	1.24%	0.34%
<b>Pharmaceuticals: Generic</b>	0.98%	0.94%	0.05%
<b>Motor Vehicles</b>	4.32%	4.13%	0.19%
<b>Pharmaceuticals: Other</b>	2.35%	2.25%	0.10%
<b>Telecommunications Equipment</b>	4.12%	2.72%	1.41%
<b>Aerospace &amp; Defense</b>	6.47%	6.62%	-0.15%

\*The classification system is FactSet Revere Business Industry Classification System (RBICS).

Sources: The Conference Board and M•CAM

### Innovation $\alpha$ ® United States Index (INAU Index)

#### Top 5 companies by 2020Q3 weight

FactSet Symbol	Name	Sector	Industry	2020Q3_ Weight	2020Q2_ Weight	Weight Change
<b>MSFT-US</b>	Microsoft Corporation	Technology Services	Packaged Software	6.67%	4.34%	2.33%
<b>HAL-US</b>	Halliburton Company	Industrial Services	Oilfield Services/Equipment	3.58%	0.44%	3.14%
<b>PG-US</b>	Procter & Gamble Company	Consumer Non-Durables	Household/Personal Care	3.58%	0.44%	3.14%
<b>QCOM-US</b>	QUALCOMM Incorporated	Electronic Technology	Telecommunications Equipment	3.07%	1.96%	1.10%
<b>GE-US</b>	General Electric Company	Electronic Technology	Aerospace & Defense	2.55%	3.86%	-1.31%

Sources: The Conference Board and M•CAM

### Innovation $\alpha$ ® Global Index (INAG Index)

#### Top 5 companies by 2020Q3 weight

FactSet Symbol	Name	Sector	Industry	2020Q3_ Weight	2020Q2_ Weight
<b>ADS-DE</b>	adidas AG	Consumer Non-Durables	Apparel/Footwear	1.67%	2.03%
<b>BAYN-DE</b>	Bayer AG	Health Technology	Pharmaceuticals: Other	1.67%	1.59%
<b>BMW-DE</b>	Bayerische Motoren Werke AG	Consumer Durables	Motor Vehicles	1.67%	1.59%
<b>DAI-DE</b>	Daimler AG	Consumer Durables	Motor Vehicles	1.67%	1.59%
<b>HO-FR</b>	Thales SA	Electronic Technology	Aerospace & Defense	1.67%	1.59%

Sources: The Conference Board and M•CAM

**About *The Conference Board Innovation  $\alpha$  United States Index powered by M•CAM***

The US index uses a quantitative, rule-based methodology to measure the performance of top 100 U.S. companies in innovation ability. The universe of the index are equities of companies similar to those in the Russell 1000, including the 1000 U.S. companies with the largest market capitalization.

**About *The Conference Board Innovation  $\alpha$  Global Index powered by M•CAM***

The global Index uses a quantitative, rule-based methodology to measure the performance of the top 120 global companies in innovation ability. The universe of the index is similar to the MSCI World Index, including companies from the U.S. Europe, Japan, and etc.

M•CAM, the index owner, measures the innovation ability of companies by analyzing their powers in the control and deployment of intellectual property (IP), including patents, trademarks, and copyrights, etc. Since 1998, M•CAM has aggregated and maintained the world's largest organized repository of state-granted IP from over 160 countries. This analysis provides an absolute qualitative and quantitative measure of each individual company's innovation and management thereof. It also provides a relative score of how one company's performance is likely to compare with others with whom it cooperates or competes. M•CAM is the Advisor for the Innovation  $\alpha$ <sup>®</sup> Series of ETFs (INAU, INAG, and TWAR) listed on the New York Stock Exchange.

**About The Conference Board**

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