

News Release

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Innovative Companies Outperform the Market, Despite Headwinds in Global Economy

The Conference Board Publishes New Indexes Measuring the Financial Outcomes of Innovation

- Innovative companies generate overall higher stock market performance in the long run relative to their benchmarks, but the index exhibited greater challenges due to market volatility in Q2 of 2019
- Going forward, global trade disputes and geopolitical uncertainties may disproportionately affect global Electronic Technology Manufacturers
- Health Technology, Finance, and Consumer Non-Durables top list of most innovative sectors for Q3
- Companies focused on integrating technology to strengthen content or media delivery are likely to outperform pure technology or media businesses

NEW YORK, July 1, 2019...The most innovative companies in the United States and global stock markets are not shielded from significant challenges in terms of stock market performance, according to two new indexes which The Conference Board will begin publishing today.

The indexes, which measure the financial performance of innovative companies, show they generate better financial performance in the long run relative to their benchmarks. However, moving into the third quarter, the indexes predict that companies in the Electronic Technology Manufacturing sector are facing the greatest challenges from global trade disputes and geopolitical uncertainties, while those focusing their innovations on data management are demonstrating the greatest resilience in the global market.

The Conference Board Innovation α Index Powered by M•CAM is developed by M•CAM, an investment firm that analyzes intellectual property and intangible assets to support credit and equity products. It consists of two indexes which rank and identify the 100 most innovative US companies in the Russell 1000 universe of companies and the 120 most innovative global companies in the MSCI World Index universe of companies, respectively. The selection is determined by the potential of those companies to generate substantial revenue growth through the use of proprietary technologies and innovations. The rankings result from a series of algorithms that gauge a company's innovation standing by analyzing their patents, trademarks and copyrights and the value generated from them.

"Firms that invest time, financial resources, and human capital in innovation can deliver increased value to customers, employees, and owners," said Bart van Ark, Executive Vice President and Chief Economist at The Conference Board. "The new indexes fit squarely within our research program on innovation and intangible investment and will

provide a new resource for The Conference Board to develop insights for what's ahead in US and global innovation, serving the finance and innovation communities among our members.”

Latest insights from the Innovation α Index

The Conference Board will publish the latest results based on the rebalancing of the indexes on the first trading day of each quarter. The indexes are benchmarked annually every January. The latest quarterly reconstitution (July 1) of the company weights included in the index indicates that despite the long-term outperformance of the Innovation α Indexes relative to their corresponding benchmarks (the Russell 1000 and the MSCI World Index, for the U.S. and global indexes, respectively), some sectors have become more exposed to recent economic and geopolitical headwinds during the second quarter. Electronic technology manufacturers have borne the brunt of the uncertainty in global trade disputes reaching across telecommunications, health technology, and business machines.

Based on the latest quarterly reconstitution of the weights, moving into the third quarter, companies in the health technology, finance, and consumer non-durables see increasing weights in the US index; whereas, weights for many companies in the technology services, process industries, industrial services, and consumer durables sectors are showing declines. In the global index, consumer non-durables, health technology, technology services, and manufacturing see increasing weights in the third quarter; whereas, the electronic technology sector is experiencing a decline. Innovations in data management are demonstrating resilience in the global market, shielding them from negative effects from trade disruptions. Consumer non-durables that are performing well are those that have focused their innovation on the materials supply chains that are going into their products. Companies that have innovated end-product designs or delivery are struggling.

“Looking ahead, the innovation Index shows that companies that have successfully integrated technology to create content or media delivery (for example, gaming) generate greater expectations for financial performance in the third quarter and are likely to be more resilient in volatile markets,” said Ataman Ozyildirim, Senior Director, Economic Research at The Conference Board. “From media and entertainment to health care to defense and infrastructure, companies focused on innovations in making information or services accessible and easier to use are out-performing those mostly focused on pure technology or media businesses.”

About the Innovation α Index

The Conference Board Innovation α 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 2019) are Microsoft Corporation, Boston Scientific Corporation, Lockheed Martin Corporation, QUALCOMM Incorporated, and Kimberly-Clark Corporation. In the global index, the top five ranked companies (based on their index weights for Q3 of 2019) are Adidas AG, Bayer AG, Daimler AG, Thales SA, and Kering SA. Microsoft Corporation is showing the largest increase in weight going forward in Q3 2019 in both indexes.

See tables on page 5 for 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. A complete ranking of the most innovative companies (US and global), their weights in the indexes, and their changes in weights is also [available here](#).

Innovation α US and Global Indexes Outperform their Market Benchmarks in the Long Run

	2019 Q1 Return (1/2/2019 - 3/29/2019)	2019 Q2 Return (3/29/2019 - 6/27/2019)	Last Year Return (6/27/2018 - 6/27/2019)
Innovation α US Index	14.6%	2.2%	7.8%
Russell 1000 Index	13.4%	3.1%	3.7%
Innovation α Global Index	13.4%	2.3%	2.7%*
MSCI ACWI Index	11.9%	2.4%	3.89%
* Innovation α Global Index launched on 1/2/2019. The last year return for this index includes part of backtest data. Source: The Conference Board Innovation α Index Powered by M•CAM			

About The Conference Board Innovation α United States Index powered by M•CAM

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

About The Conference Board Innovation α 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, 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 α Series of ETFs (INAU, INAG, and TWAR) listed on the New York Stock Exchange.

About The Conference Board

The Conference Board is the member-driven think tank that delivers trusted insights for what's ahead. Founded in 1916, we are a non-partisan, not-for-profit entity holding 501 (c) (3) tax-exempt status in the United States. www.conference-board.org.

The Conference Board Innovation α United States Index powered by M•CAM

(INAU) Change in Weights by Industry Sector

Sector*	Change in Weight in Q3
Health Technology	3.60%
Finance	2.88%
Consumer Non-Durables	1.27%
Consumer Services	0.96%
Communications	0.28%
Energy Minerals	0.28%
Retail Trade	0.28%
Producer Manufacturing	0.17%
Health Services	0.14%
Electronic Technology	-0.28%
Consumer Durables	-1.24%
Industrial Services	-1.78%
Process Industries	-2.26%
Technology Services	-4.31%

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

Sources: The Conference Board and M•CAM

The Conference Board Innovation α Global Index powered by M•CAM

(INAG) Change in Weights by Industry Sector

Sector*	Change in Weight in Q3
Consumer Non-Durables	0.90%
Health Technology	0.60%
Technology Services	0.39%
Producer Manufacturing	0.32%
Commercial Services	0.16%
Energy Minerals	0.07%
Communications	0.07%
Non-Energy Minerals	-0.01%
Finance	-0.01%
Process Industries	-0.04%
Consumer Durables	-0.15%
Consumer Services	-0.15%
Industrial Services	-0.15%
Retail Trade	-0.18%
Electronic Technology	-1.81%

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

Sources: The Conference Board and M•CAM