

News Release

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Innovative Companies Continue to Outperform the Market, Despite Headwinds in Global Economy

The Conference Board Publishes Quarterly Updated Indexes Measuring the Financial Outcomes of Innovation

- Innovative companies generate overall higher stock market performance in the long run relative to their benchmarks
- In the third quarter, innovative companies in the United States faced greater challenges due to market volatility than innovative companies tracked globally which demonstrated robust performance
- Going forward, global trade disputes and geopolitical uncertainties may disproportionately affect Electronic Technology Manufacturers
- More domestic focused sectors, such as Communications, Energy Minerals, Consumer Non-Durables, and Industrial Services top list of most innovative sectors for Q4

NEW YORK, October 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 a quarterly update of two new indexes by The Conference Board.

In the third quarter, *The Conference Board Innovation α Index Powered by M•CAM* for the United States faced greater challenges due to market volatility which slightly lowered its quarterly returns relative to its benchmark (the Russell 1000). At the same time, the *Innovation α* global index, which tracks innovative companies worldwide, demonstrated robust performance relative to its benchmark (the MSCI World Index). In particular, electronic technology manufacturers continue to bear the brunt of the uncertainty caused by global trade disputes. Communications and data management (Software as a Service (SaaS), data analytics, data transmission) industries remain resilient because of a focus on domestic markets and less exposure to slowing global trade.

The Conference Board Innovation α Index Powered by M•CAM was 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.

“Companies that invest in innovation will deliver increased value to customers, employees, and owners,” said Bart van Ark, Executive Vice President and Chief Economist at The Conference Board. “However, the rise in global uncertainties is not only a potential threat to the global economy but is also making the returns on innovation susceptible to volatility, making them harder to interpret. Companies with diversified business sectors and supply chains, a capability in global integration, and feasible and flexible intellectual property management should prove to show more market resilience powered by their innovation.”

“Given the Innovation α [®] United States Index’s exposure to companies heavily impacted by the ongoing trade dispute between the US and China, US technology companies suffered equity price volatility disproportionately during the third quarter,” said David Martin, CEO of M•CAM International.

Latest insights from the Innovation α Index

The latest results are based on the rebalancing of the indexes on the first trading day of each quarter. The indexes are benchmarked annually every January.

Based on the latest quarterly reconstitution of the weights, moving into the fourth quarter, technology services and producer manufacturing will see continuing declines in weights in the fourth quarter. In contrast, companies in communication, energy minerals, consumer nondurables, consumer durables, and industrial services see increasing weights in the US index. Weights for many companies in the electronic technology, technology services, producer manufacturing, health technology, and finance sectors are showing declines. Strikingly, companies in health technology and financial services are showing increased weight in the global index, while they exhibit declines in the US index.

“Looking ahead, the indexes suggest companies in communications and data management sectors have an advantage deriving from their innovation investments, especially those that are investing in proprietary innovations, as well as those serving consumer markets, both in durable and non-durable goods,” said Ataman Ozyildirim, Senior Director, Economic Research at The Conference Board. “In contrast, producing manufacturing and electronic technology manufacturing industries are likely to be exposed to risks in global value chains and trade disruptions as some of their products become more and more commoditized.”

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 Q4 of 2019) are Procter & Gamble Company, Fiserv, Inc., Medtronic Plc, AT&T Inc., and Genworth Financial, Inc. Class A. In the global index, the top five ranked companies (based on their index weights for Q4 of 2019) are Bayer AG, Kering SA, Daimler AG, Thales SA, and adidas AG. Procter & Gamble Company is showing the largest increase in weight going forward in Q4 2019 in the US index. Bayer AG is showing the largest increase in weight going forward in Q4 2019 in the global index.

See tables on page 4 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

	2019Q3 Return (6/27/2019 - 9/26/2019)	Year-To-Date Return (1/2/2019 - 9/26/2019)	Last Year Return (6/27/2018 - 6/27/2019)
Innovation α US Index	1.59%	19.02%	7.75%
Russell 1000 Index	1.62%	18.77%	3.65%
Innovation α Global Index	0.92%	17.16%	2.73%*
MSCI ACWI Index	0.18%	14.82%	3.88%

* Innovation α Global Index launched on 1/2/2019. The last year return for this index includes the former publication of the data as the CNBC IQ100 powered by M•CAM.
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 – Updated October 1, 2019

Selected Sectors	Weight Change
Communications	2.58%
Energy Minerals	1.09%
Consumer Non-Durables	0.83%
Consumer Durables	0.72%
Industrial Services	0.72%
Consumer Services	0.04%
Process Industries	0.00%
Retail Trade	0.00%
Health Services	0.00%
Electronic Technology	-0.55%
Technology Services	-0.56%
Producer Manufacturing	-0.86%
Health Technology	-1.58%
Finance	-2.45%

*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 – Updated October 1, 2019

Selected Sectors	Weight Change
Health Technology	0.82%
Communications	0.50%
Electronic Technology	0.34%
Non-Energy Minerals	0.27%
Finance	0.20%
Energy Minerals	0.10%
Process Industries	0.05%
Consumer Services	-0.01%
Industrial Services	-0.01%
Retail Trade	-0.01%
Commercial Services	-0.15%
Consumer Durables	-0.32%
Technology Services	-0.45%
Producer Manufacturing	-0.54%
Consumer Non-Durables	-0.81%

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

Sources: The Conference Board and M•CAM