

13.2% Upside Capture, Less Wasted Return

Invesco QQQ Growth Index



Throughout the last 20 years, the markets have experienced their ebbs and flows as one would expect. In response, the S&P 500® Index has returned an average of 9.0% annually while the Nasdaq-100 Index® has had an average annual return of 15.9%; in other words, the Nasdaq-100 has outperformed the S&P 500 by 6.9% per year on average.

Calendar Year Returns

	Nasdaq-100	S&P 500
2004	10.44%	8.99%
2005	1.49%	3.00%
2006	6.79%	13.62%
2007	18.67%	3.53%
2008	-41.89%	-38.49%
2009	53.54%	23.45%
2010	19.22%	12.78%
2011	2.70%	0.00%
2012	16.82%	13.41%
2013	34.99%	29.60%
2014	17.94%	11.39%
2015	8.43%	-0.73%
2016	5.89%	9.54%
2017	31.52%	19.42%
2018	-1.04%	-6.24%
2019	37.96%	28.88%
2020	47.58%	16.26%
2021	26.63%	26.89%
2022	-32.97%	-19.44%
2023	53.81%	24.23%
AVG	15.93%	9.00%

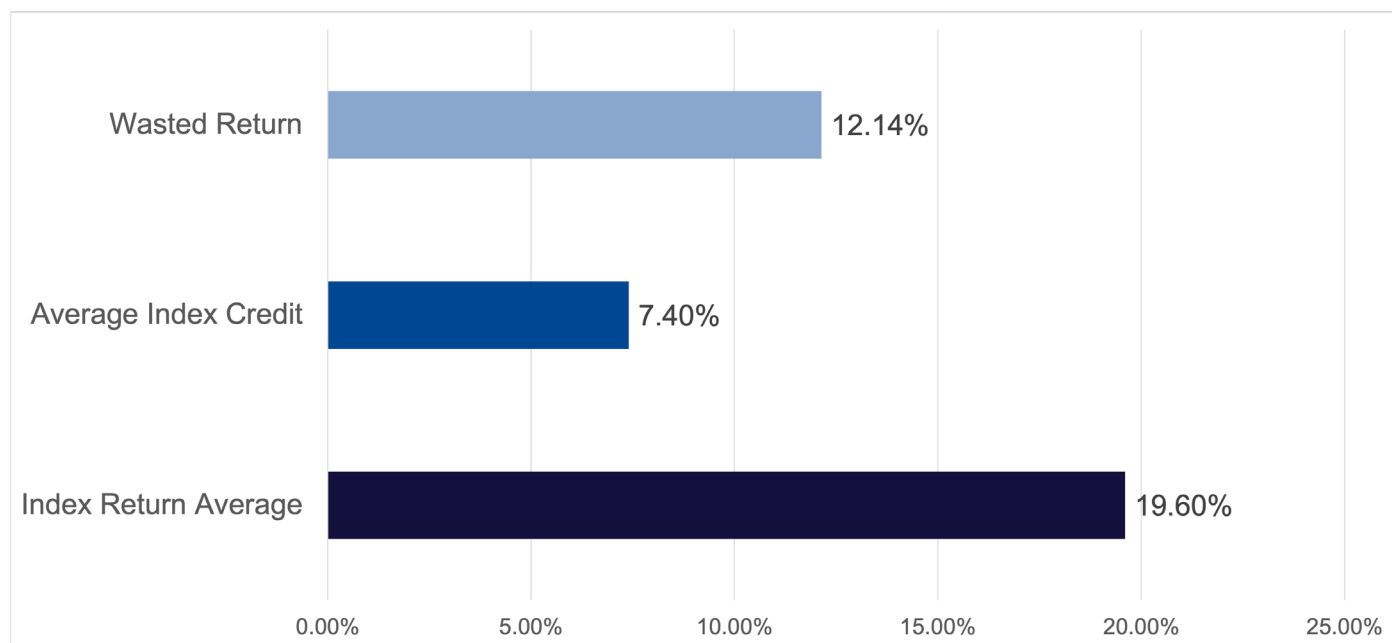
Summary of historical performance of each index. Past performance does not guarantee future results.

This is due in part to the makeup of the Nasdaq-100, which tilts toward technology stocks and other sectors that tend to offer higher return potential but higher volatility and associated risk.

Such risk is a critical component of option pricing, which plays a key role in establishing crediting rates within fixed index annuities (FIAs). The higher the risk the more expensive the option cost and the lower the cap rate or par rate a carrier can offer tied to the index.

Despite more growth potential with Nasdaq-100, if a carrier has to offer a lower cap to account for the increased risk and subsequent higher option cost, the opportunity to participate in the growth of the underlying index is significantly diminished and much of the return potential is wasted. For example, despite the Nasdaq-100 averaging 15.9% annual growth over the last 20 years, if the cap level carriers can afford to offer is 10%, nearly 6% of return potential is wasted each year. In looking at just the most recent 10-year period, a 10% Nasdaq-100 cap rate would have resulted in an average annual wasted return amount of 12.14%.

Inefficiencies of a 10% Cap Rate on the Nasdaq-100 Index



This chart is for illustrative purposes only and is produced with the benefit of hindsight for the period 12/31/2013 – 12/31/2023. It is not intended to be indicative of the performance of any specific investment. Indices are unmanaged. Clients cannot invest directly in an index. Past performance does not guarantee future results. The index rate caps, spreads and fees are hypothetical and may be reset at a higher or lower rate on each contract anniversary by the issuing insurance company.

What if you could find a way to capture more of the Nasdaq-100’s upside potential while implementing risk control measures to manage volatility? We sought to design such an index strategy to do just that, therefore delivering an ability to offer higher crediting rate levels and avoid wasted return potential, and the Invesco QQQ Growth Index was born.

The QQQ Growth Index:

- Benefits from an adaptive allocation focusing on the innovation-based Invesco QQQ, one of the largest and best-performing ETFs amongst its peers
- Is complemented with a responsive bond component that diversifies equity using a dynamic combination of short- and intermediate-term bonds
- Seeks strong risk-adjusted returns while maintaining a 12.5% volatility target utilizing Salt Financial’s truVol® technology
- Leverages the branding of Invesco QQQ and combined distribution support of Invesco, Nasdaq and Salt Financial

The QQQ Growth Index outpaced the S&P 500 in average annual performance throughout the last 20 years while capturing nearly 73% of average Nasdaq-100 growth. Thanks to its volatility control design, a much higher cap rate can be applied and substantially more index credit capability unlocked.

Assuming a 30% cap rate, the QQQ Growth Index would have averaged a 13.2% return over the last 20 years, significantly outperforming an annual Nasdaq-100 cap of 10% (7.3%) as well as an 11% cap on the S&P 500 index (7.3%). More importantly, this strategy is capturing 83% of total Nasdaq-100 average performance with zero risk!

QQQ Growth Index

Calendar Year Returns		30% Cap
2004	9.87%	9.87%
2005	-6.17%	0.00%
2006	3.57%	3.57%
2007	5.08%	5.08%
2008	-12.59%	0.00%
2009	25.34%	25.34%
2010	22.74%	22.74%
2011	3.58%	3.58%
2012	17.93%	17.93%
2013	24.12%	24.12%
2014	18.91%	18.91%
2015	3.04%	3.04%
2016	-2.12%	0.00%
2017	35.11%	30.00%
2018	5.84%	5.84%
2019	26.13%	26.13%
2020	21.56%	21.56%
2021	15.56%	15.56%
2022	-20.23%	0.00%
2023	30.54%	30.00%
AVG	11.39%	13.16%

Nasdaq-100

Calendar Year Returns		10% Cap
2004	10.44%	10.00%
2005	1.49%	1.49%
2006	6.79%	6.79%
2007	18.67%	10.00%
2008	-41.89%	0.00%
2009	53.54%	10.00%
2010	19.22%	10.00%
2011	2.70%	2.70%
2012	16.82%	10.00%
2013	34.99%	10.00%
2014	17.94%	10.00%
2015	8.43%	8.43%
2016	5.89%	5.89%
2017	31.52%	10.00%
2018	-1.04%	0.00%
2019	37.96%	10.00%
2020	47.58%	10.00%
2021	26.63%	10.00%
2022	-32.97%	0.00%
2023	53.81%	10.00%
AVG	15.93%	7.27%

S&P 500

Calendar Year Returns		11% Cap
2004	8.99%	8.99%
2005	3.00%	3.00%
2006	13.62%	11.00%
2007	3.53%	3.53%
2008	-38.49%	0.00%
2009	23.45%	11.00%
2010	12.78%	11.00%
2011	0.00%	0.00%
2012	13.41%	11.00%
2013	29.60%	11.00%
2014	11.39%	11.00%
2015	-0.73%	0.00%
2016	9.54%	9.54%
2017	19.42%	11.00%
2018	-6.24%	0.00%
2019	28.88%	11.00%
2020	16.26%	11.00%
2021	26.89%	11.00%
2022	-19.44%	0.00%
2023	24.23%	11.00%
AVG	9.00%	7.30%

Hypothetical example assumes historical performance of each index with the specified cap rate. Past performance does not guarantee future results.

The QQQ Growth Index is the ideal engine for efficient growth potential with less wasted return than comparable alternatives currently available in today's market.

Contact us today for complete details. 785.380.0450 | info@marketsynergy.net



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