

The NASDAQ-100® – Is this time really different?

– Michael Mack, Portfolio Manager

As the NASDAQ-100® continues to reach new highs, many investors have flashbacks of the tech bubble in the late 1990s and worry history could repeat itself. There is no guarantee that a severe decline won't happen again, but the fundamentals this time around suggest we're in better shape than we were back then.

Earnings lead to a growing economy

The tech bubble in the late 1990s saw the NASDAQ-100® soar to record highs as investors flocked to the high growth tech darlings (Cisco, Microsoft, Dell, Intel) before collapsing 80% over the next 3 years. As today's investors flock to high growth FANG stocks (Facebook, Amazon, Netflix, Google), the present-day NASDAQ-100® is again hitting record highs, but that is where the similarities end.

NASDAQ-100® Index

6/30/92 – 6/30/17



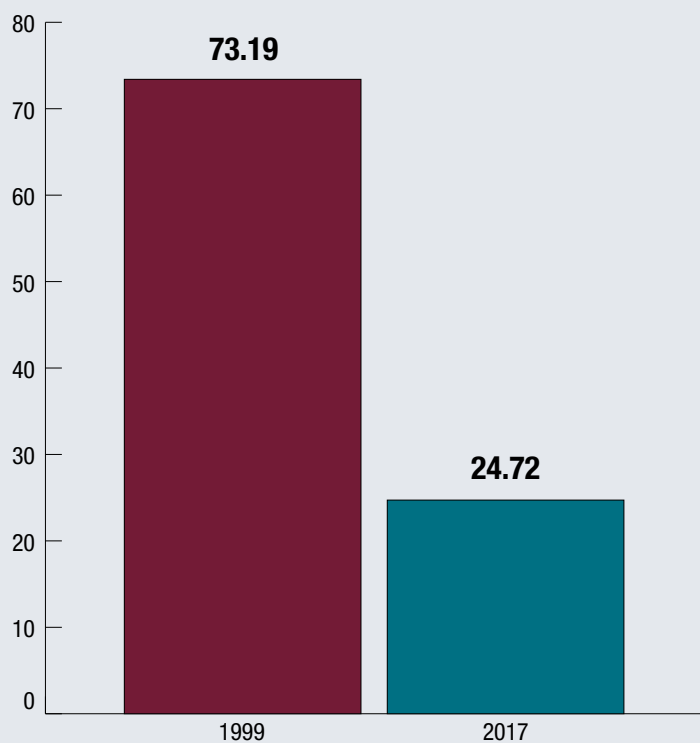
Source: FactSet, NASDAQ

Today's NASDAQ-100® Has Solid Fundamentals

During the tech bubble, fundamentals of stocks in the NASDAQ-100® were not strong enough to support high stock prices and valuations. At the end of 1999, the NASDAQ-100® was trading at 73x earnings with a measly 0.75% free cash flow yield. Currently, the NASDAQ-100® is only trading at 25x earnings with a 4.38% free cash flow yield. High free cash flow is an indicator of a company's financial strength. Specifically, it is the cash remaining after a company has paid expenses, interest, taxes and long-term investments. Free cash flow yield (free cash flow divided by enterprise value) shows whether a company is generating more cash than it needs to run the business and if it can invest in growth opportunities. Without available cash to reinvest in a business, it is difficult for it to maintain its growth. This may have contributed to the downfall of the NASDAQ-100® the first time.

NASDAQ-100® Price to Earnings

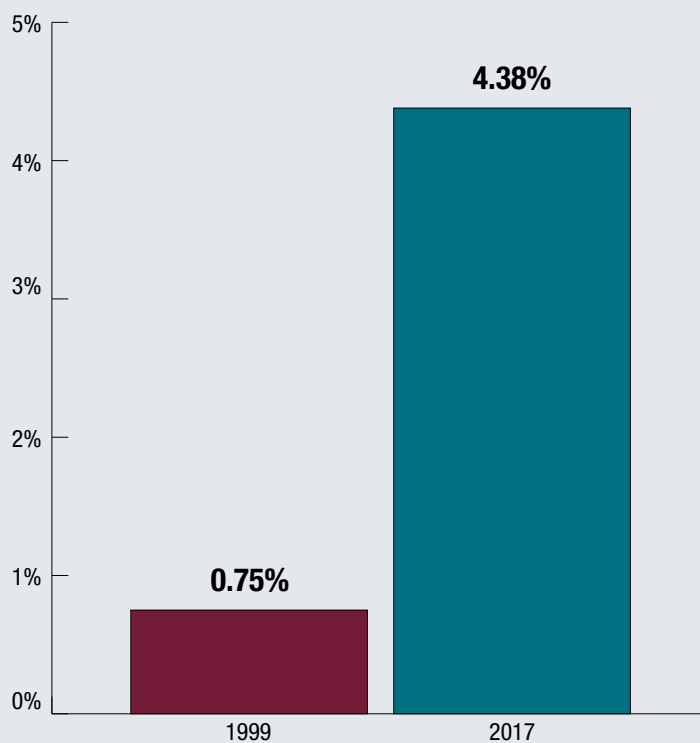
as of 6/30/17



Source: FactSet, NASDAQ

NASDAQ-100® Free Cash Flow Yield

as of 6/30/17



Source: FactSet, NASDAQ

In addition to having cheaper valuations and better free cash flow yield this time around, the NASDAQ-100® has better sales and earnings with a higher market cap. Looking at the top 10 companies now and then, the NASDAQ-100® is healthier than it was during the tech bubble. These top 10 show how far the NASDAQ-100® has come.

- 1) Sales, earnings, and free cash flow have increased more than six times.
- 2) Market cap has nearly doubled.
- 3) Seven of 10 companies now pay dividends as compared to one of 10 in 1999.

	Top 10 Total from 12/31/99	Top 10 Total from 6/30/17	% Change from Now to Then
Sales (mil)	\$119,948.0	\$790,480.0	559.02%
Earnings (mil)	\$21,217.0	\$135,626.0	539.23%
Free Cash Flow (mil)	\$25,993.80	\$170,511.0	555.97%
Dividend Paying Companies	1	7	600%
Market Cap (mil)	\$1,660,075.1	\$3,542,235.0	113.38%

Source: FactSet, NASDAQ. There is no guarantee any company will continue to pay dividends.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. YOU CANNOT INVEST IN AN INDEX.

Now & Then

12/31/1999		6/30/2017	
Ticker	Company	Ticker	Company
MSFT	Microsoft Corporation	AAPL	Apple, Inc.
QCOM	QUALCOMM Incorporated	MSFT	Microsoft Corporation
CSCO	Cisco Systems, Inc.	AMZN	Amazon.com, Inc.
INTC	Intel Corporation	FB	Facebook, Inc. Class A
ORCL	Oracle Corporation	GOOG	Alphabet, Inc. Class C
YHOO	Yahoo! Inc.	CMSCA	Comcast Corporation Class A
JAVA	Sun Microsystems	INTC	Intel Corporation
DELL	Dell Computer Corporation	CSCO	Cisco Systems, Inc.
NXTL	Nextel Communications, Inc.	AMGN	Amgen, Inc.
VIAV	JDS Uniphase Corporation	KHC	Kraft Heinz Company

Source: FactSet, NASDAQ

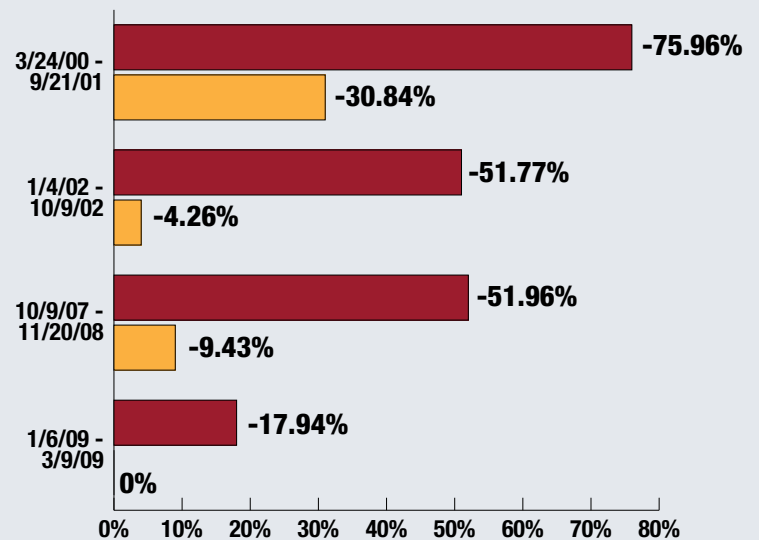
The market is still unpredictable

Despite what the numbers say, there is always a chance the market will do something unexpected. Clearly a lot has changed in the NASDAQ-100® since 1999. The fundamentals now back the price and the valuations are reasonable. However, 9 years into a bull market, investors would be wise to consider a risk management strategy when investing in the NASDAQ-100®, a historically more volatile index.

The 200 day simple moving average (SMA) has proven to be an early indicator of a bear market. Evaluating the last 4 bear markets with losses of 20% or more, the majority of market loss was after the Index fell below the 200 Day SMA.

- Total market loss
- Market loss before Index fell below 200 Day SMA

NASDAQ-100® Last 4 Bear Markets 2000 - 2009



The Pacer Trendpilot® ETFs use a rules-based risk management strategy to alternate between equities and t-bills based on the benchmark index and its 200 day moving average.



Pacer Trendpilot® 100 ETF

The Pacer Trendpilot® 100 ETF (PTNQ) implements this strategy with exposure to the NASDAQ-100®, aiming to participate in the market when it is trending up, maintain some exposure during short-term market declines and move to 3-month US T-Bills when it is trending down.

To learn about trend following or for more on Pacer Trendpilot® ETFs, please visit www.paceretfs.com or call **877-337-0500**.

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Weighted average market cap is the sum of each company's weight multiplied by its market cap.

P/E ratio – a fundamental measure commonly used to determine if an investment is valued appropriately. Each holding's P/E is the latest closing price divided by the latest fiscal year's earnings per share. Negative P/E ratios are excluded from this calculation.

The NASDAQ-100® Index includes approximately 100 of the largest non-financial securities listed on The NASDAQ® Stock Market based on market capitalization. The NASDAQ-100® Index comprises securities of companies across major industry groups, including computer, biotechnology, healthcare, telecommunications, and transportation. However, it does not contain securities of financial companies, including investment companies. The NASDAQ-100® Index was developed by NASDAQ OMX®. The NASDAQ-100® Total Return Index is a total return version of the NASDAQ-100® and reflects the reinvestment of dividends paid by the securities in that Index.

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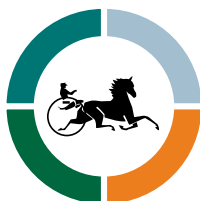
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