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

Since the end of the 2008 Great Recession to the end of 2021, the NASDAQ-100® had an astonishing run of performance. However, in 2022, the high-flying NASDAQ-100® struggled and underperformed the S&P 500 Index by over 14%, triggering flashbacks to the late 1990s tech bubble for many investors. In 2022, the U.S. stock exchange had its worst year in equities since 2008, marked by Federal Reserve rate hikes, alongside elevated levels of inflation and unemployment. The fundamentals this time around suggest we are 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 three years. For the better part of the past decade investors flocked to high growth FAANG stocks (Facebook, Apple, Amazon, Netflix, Google). Despite multiple bear markets after the 2000s, the NASDAQ-100 Index managed to climb to all time highs.

NASDAQ-100® Index
6/30/92 – 12/31/23

Source: FactSet, NASDAQ

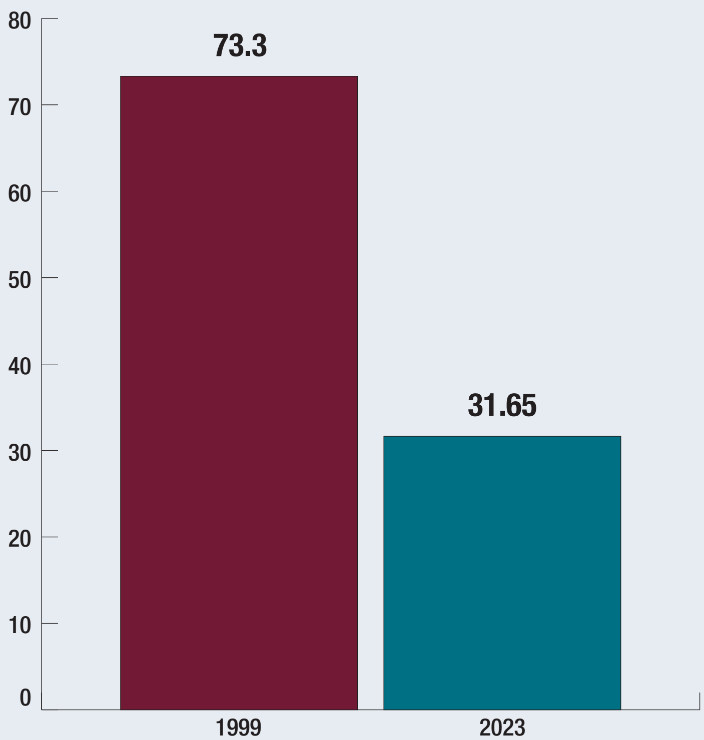
PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. YOU CANNOT INVEST IN AN INDEX.

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 0.76% free cash flow yield. At the end of 2023, the NASDAQ-100 traded at roughly 31x earnings with 2.68% 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.

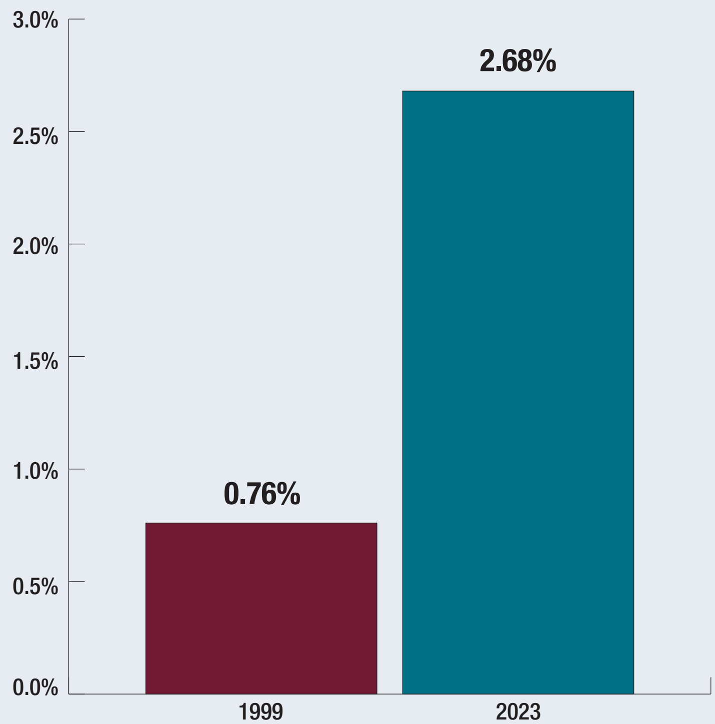
Free cash flow yield (free cash flow divided by enterprise value) shows whether a company is generating more cash than it needs to run the business and if it can invest in growth opportunities. Without available cash to reinvest in a business, it is difficult for it to maintain its growth. This may have contributed to the downfall of the NASDAQ-100® the first time.

NASDAQ-100® Price to Earnings
as of 12/31/23



Source: FactSet, NASDAQ

NASDAQ-100® Free Cash Flow Yield
as of 12/31/23



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 holdings 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 14 times.**
2) **Market cap has increased by about 7 times.**
3) **Five companies within the top 10 holdings now pay dividends as compared to one of 10 in 1999.**

	Top 10 Total from 12/31/99	Top 10 Total from 12/31/23	% Change from Now to Then
Sales (mil)	$119,948.00	$2,329,279.00	1,842%
Earnings (mil)	$21,217.00	$362,724.00	1,610%
Free Cash Flow (mil)	$25,993.80	$408,824.00	1,473%
Dividend Paying Companies	1	5	400%
Market Cap (mil)	$1,660,075.10	$14,532,362.75	775%

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

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Now & Then

12/31/1999	
Ticker	Company
MSFT	Microsoft Corporation
QCOM	QUALCOMM Incorporated
CSCO	Cisco Systems, Inc.
INTC	Intel Corporation
ORCL	Oracle Corporation
YHOO	Yahoo! Inc.
JAVA	Sun Microsystems
DELL	Dell Computer Corporation
NXTL	Nextel Communications, Inc.
VIAV	JDS Uniphase Corporation

12/31/2023	
Ticker	Company
AAPL	Apple Inc.
MSFT	Microsoft Corporation
AMZN	Amazon.com, Inc.
AVGO	Broadcom Inc.
META	Meta Platforms Inc. Class A
NVDA	NVIDIA Corporation
TSLA	Tesla, Inc.
GOOGL	Alphabet Inc. Class A
GOOG	Alphabet Inc. Class C
COST	Costco Wholesale Corporation

Source: FactSet, NASDAQ

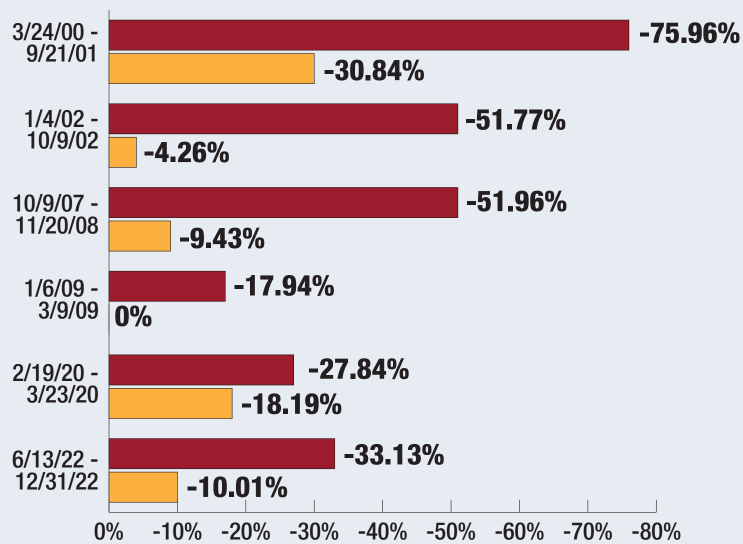
The market is still unpredictable

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, due to the recent bear market and prospect of a possible recession, 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 6 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 6 Bear Markets



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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
PTNQ

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**.

Before investing you should carefully consider the Fund's investment objectives, risks, charges, and expenses. This and other information is in the prospectus. A copy may be obtained by visiting www.paceretfs.com or calling 1-877-337-0500. Please read the prospectus carefully before investing.

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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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