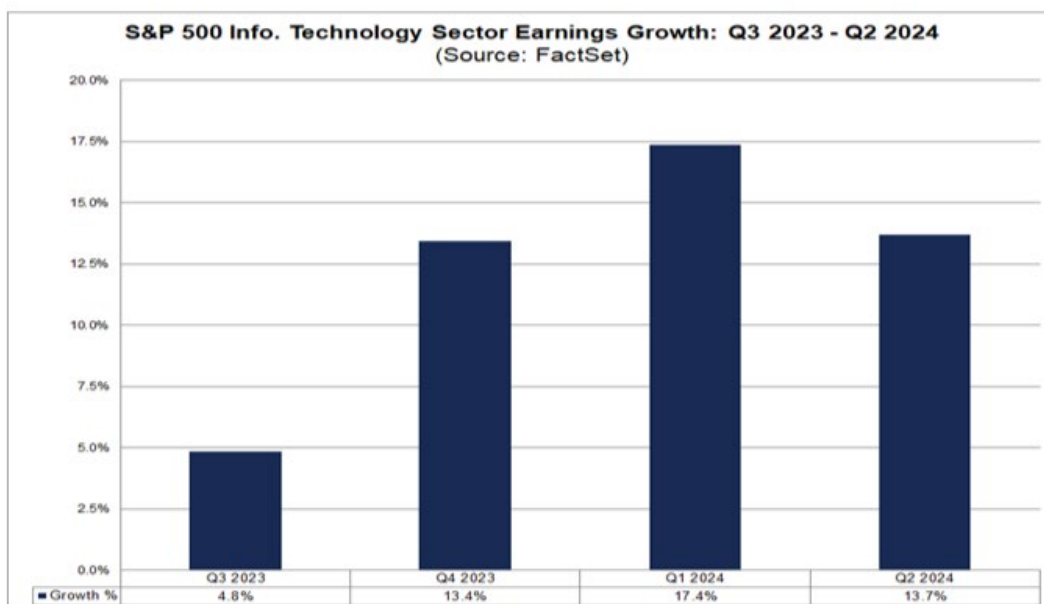
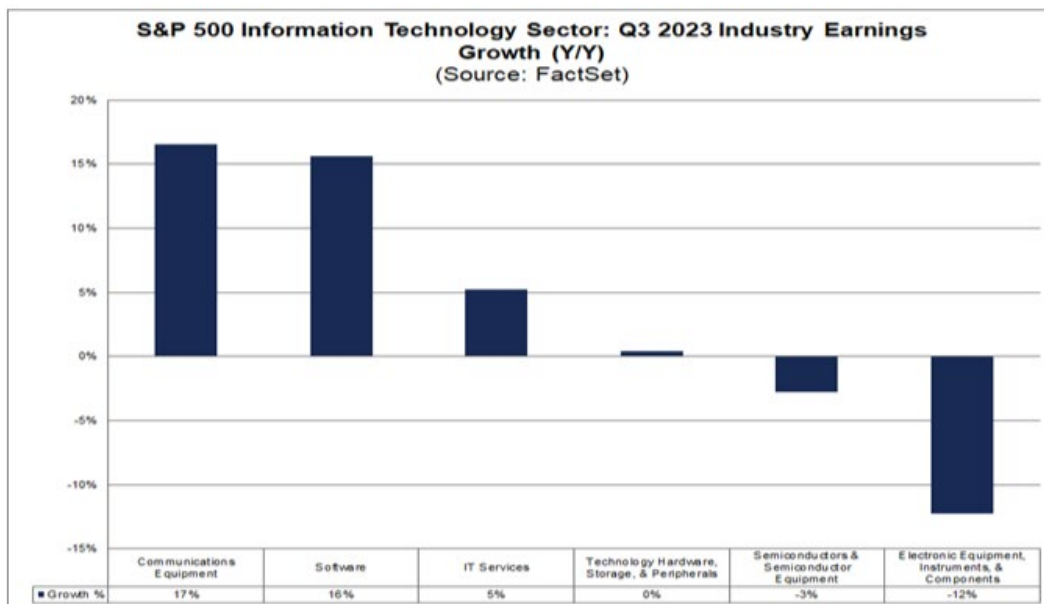


S&P 500 Information Technology Sector: Q3 2023 Industry Earnings Growth

Technological advancements, particularly in the Artificial Intelligence sector has driven major technology stocks such as Microsoft, Apple, and Meta to all time highs this year. However, while these companies, particularly the Magnificent 7 continue to outperform the market, there are other areas of the Information Technology sector that have not experienced the same growth trajectories. The first chart below shows the Year-on-Year earnings growth of the various industries within the S&P 500 IT sector. What is clear is that certain areas of IT have fared far better this year than last year. Communication equipment, and Software in general have seen earnings grow by 17 per cent and 16 per cent respectively. The semiconductor industry, however, has seen a drop in earnings growth of 3 per cent, while electronic equipment, instruments and components will see earnings shrink by 12 per cent. This can be attributed to lower demand for semiconductors in 2023 compared to 2022, while growth in AI applications (such as ChatGPT) has helped the software sector immensely over the past year.



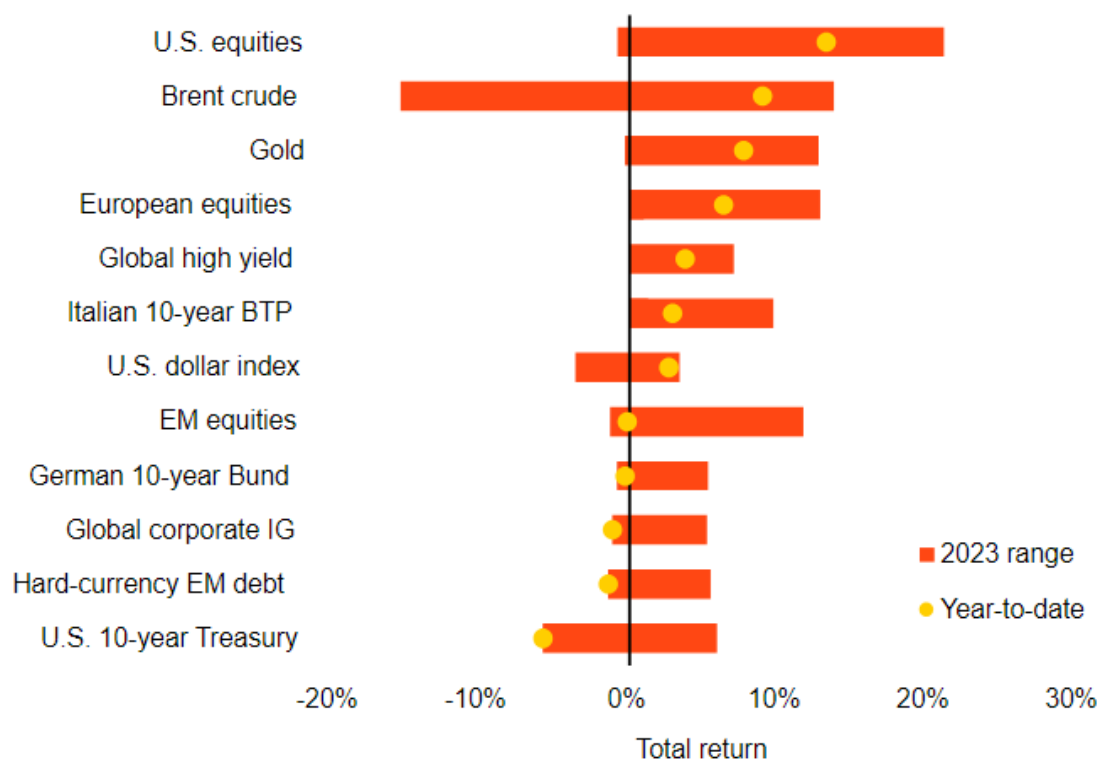
Source: Factset

The second chart (S&P 500 Info. Technology Sector Earnings Growth: Q3 2023-Q2 2024) highlights the expected earnings growth of the entire IT sector of the S&P 500 for the next year. In Q3 2023, earnings are expected to grow by 4.8 per cent. However, in Q4 of 2023, that figure is expected to increase to 13.4 per cent and grow even further to 17.4 per cent in the first quarter of 2024. This again highlights the ever-growing demand for technological products and services.

From a global perspective the chart below highlights Year-to-Date (YTD) performance of various major asset classes across the world. So far in 2023, US equities have seen the best total return YTD, posting gains of over 10 per cent, notwithstanding the uncertainty that we have witnessed over the last quarter. Brent Crude has had the second-best return YTD among major asset classes, however the range of its performance is far wider i.e., it has spent more of this year with negative returns than positive returns. The asset that has performed the poorest YTD has been the US 10 Year Treasury Bond.

Assets in review

Selected asset performance, 2023 year -to-date and range



Source: Blackrock