

VANGUARD INFORMATION TECH ETF (VGT)

Risk: **Med**

Zacks ETF Rank 1 - Strong Buy

\$451.69 USD



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| Fund Type | Technology ETFs |
| Issuer | VANGUARD |
| Benchmark Index | MSCI US INVESTABLE MARKET IT 25/50 INDEX |
| Date of Inception | 01/26/2004 |
| AUM (million) | \$55,823.39 |
| Number of holdings in the ETF | 344 |
| Assets in top ten holdings | 56.90% |
| Expense Ratio | 0.10% |
| Dividend Yield | 0.62% |

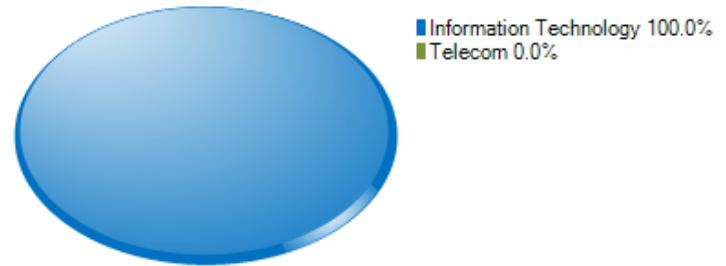
Price Fundamentals of VGT

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|--------------------------|----------|
| Current Price | \$451.69 |
| 52-Week High | \$453.48 |
| 52-Week Low | \$324.11 |
| NAV (10/31/2021) | \$434.2 |
| 1Yr ETF Ret (11/12/2021) | 38.91% |

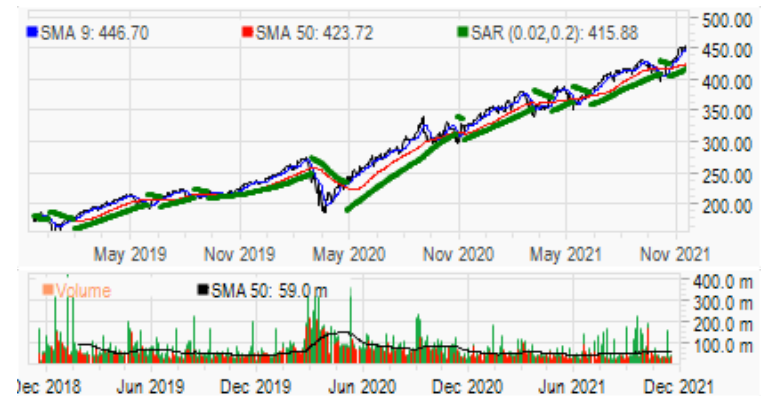
Risk Statistics

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|------------------------|--------|
| Beta (against S&P 500) | 1.08 |
| Standard Deviation | 27.96% |
| R ² | 80.76% |

VGT Sector Weights



Price Chart



Zacks Opinion

This ETF is appropriate for those seeking broad exposure to the U.S. technology markets. The huge number of coronavirus-infected domestic cases led to shut down of economic activities thereby, affecting the U.S. economic fundamentals. However, Fed's dovish stance on interest rates might prove beneficial for this fund. The sector's long-term story remains intact with the emergence of cutting-edge technology such as cloud computing, big data, Internet of Things, wearables, VR headsets, drones, virtual reality, artificial intelligence and machine. The deployment of 5G technology — the next wireless revolution — is creating more opportunities. However, signs of easing global economic growth largely due to the aggravating coronavirus outbreak can weigh on the fund. Meanwhile, growing digitization trend during the pandemic can support the fund.

Key Points

- Moderately traded U.S. tech ETF
- Exposure to large-cap stocks
- Low expense ratio but modest trading costs

Reasons to Buy

- Dovish Fed, growing digitization trend

Reasons to Sell

- Easing global economic growth amid pandemic

The data on the front page and all the charts in the report represent market data as of 11/12/2021, while the report's text is as of 11/17/2021

Holdings Breakdown

The fund holds 344 stocks in its basket. Apple Inc. (19.7%), Microsoft Corp. (16.8%) and NVIDIA Corp. (4.3%) are among the top three holdings in the basket.

Performance

VGT mostly remained on an uptrend since the beginning of 2021 (as of Nov 16, 2021). The fund might have gained from a reopening and recovering U.S. economy and increased demand for cutting-edge technology. The major technology companies' resilience to the coronavirus crisis, growing digitization trend and dovish Fed might also have supported the upside. It has returned 31% in the year-to-date frame and 38.9% in a year.

| VGT Top 5 Holdings | Weight % |
|--------------------|----------|
| Apple Inc. | 19.68% |
| Microsoft Corp. | 16.81% |
| NVIDIA Corp. | 4.30% |
| Visa Inc. | 2.94% |
| Mastercard Inc. | 2.56% |

2-Year Comparative



Investment Objective

VGT seeks to match the performance and yield of the MSCI US Investable Market Information Technology 25/50 Index. The fund provides exposure to electronics and computer industries or those that manufacture products based on the latest applied science.

Analysis

This ETF is appropriate for those seeking broad exposure to the U.S. technology markets. It has AUM of \$55.82 billion and is one of the cheapest options within its space with 10 basis points as expense ratio. The fund has three-month traded volume of about 550,000 shares.

| Fundamentals | VGT | XLK | ARKK |
|--------------------|-------------|-------------|-------------|
| Zacks Rank | 1 | 1 | NA |
| Price | \$451.69 | \$168.26 | \$117.33 |
| AUM (million) | \$55,823.39 | \$49,236.04 | \$20,525.59 |
| Expense Ratio | 0.10% | 0.12% | 0.75% |
| Dividend Yield | 0.62% | 0.65% | 1.72% |
| Assets in top 10 | 56.90% | 68.09% | 52.86% |
| Beta | 1.08 | 1.04 | 1.55 |
| YTD % Price Change | 30.95% | 32.69% | -4.63% |

Description

Launched in January 2004, Vanguard Information Technology ETF (VGT) is a passively managed ETF designed to provide a broad exposure to the U.S. equity market with a focus on resembling the risk return characteristics of U.S. equities from the technology sector.

Detailed Analysis

The technological sector has kept its promise of strong returns so far this year, combatting the economic slowdown induced by the coronavirus pandemic. It is being widely believed that the major technology companies' resilience to the coronavirus crisis have been supporting the Nasdaq Composite index.

The second half of 2021 is expected to keep facing the brunt of the pandemic amid the coronavirus vaccine distribution. In such a scenario, the rising work-from-home and online shopping trend, increasing digital payments, growing video streaming and soaring video game sales are slowly becoming the "new normal." With the new trends making way, these major technology companies are expected to continue to gain on rising demand for their products and services.

The U.S. economy seems to be strongly rebounding from the coronavirus led-slowdown. Several factors like reopening of the economy, accelerated coronavirus vaccine rollout and solid fiscal support are raising optimism. However, fear of easing global economic growth largely due to the aggravating coronavirus outbreak can weigh on the stocks in the fund.

Let's evaluate two other alternative funds targeting the tech space and compare these with VGT.

The Technology Select Sector SPDR Fund (XLK)

XLK is the most popular product in the technology space and tracks the Technology Select Sector Index, managing an asset base of \$49.24 billion. This fund trades in three-month average volume of roughly 9.5 million shares. The fund has returned about 32.7% in the year-to-date period. It charges an expense ratio of 12 basis points.

iShares U.S. Technology ETF (IYW)

This fund manages about \$9.31 billion in assets and trades in average three-month volume of roughly 481,000 shares. IYW provides exposure to a basket of 151 technology stocks by tracking the Russell 1000 Technology RIC 22.5/45 Capped Index. IYW has around 34.1% in the year-to-date period. It charges an expense ratio of 41 basis points.

Conclusion

Comparing the funds discussed here, XLK is highly traded and the most-popular choice in the tech space. It charges a higher expense ratio relative to VGT but its liquid nature makes it worth playing. On the other hand, a moderate trading volume for VGT and IYW compels investors to pay extra in the form of a wide bid/ask spread, increasing the cost of total trading for the two funds.

Glossary

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| ACTIVE MANAGEMENT: | A portfolio management strategy where the manager uses variety of skills and attributes (like top-down approach, bottom-up approach, value investing, growth investing or absolute returns strategy) in the portfolio so that the fund outperforms the benchmark index. |
| ALPHA: | A measure of outperformance that can be calculated as the return of the fund minus the benchmark's return. A positive alpha indicates the fund has outperformed the benchmark index whereas negative alpha means underperformance. |
| AMERICAN DEPOSITORY RECEIPT: | A negotiable non-US security that trades in the US financial market. |
| AUTHORIZED PARTICIPANTS: | An entity chosen by an ETF sponsor to undertake the responsibility of obtaining the underlying assets needed to create an ETF. Authorized participants are typically large institutional organizations, such as market makers or specialists. |
| AVERAGE YIELD TO MATURITY: | The expected rate of return on a fund's portfolio if it is held until the maturity while reinvesting all coupon payments at the bond yield. |
| BASKET: | A portfolio of several stocks or securities that are selected for the inclusion in the fund with different weightings. |
| BETA: | A measure of risk compared to the market benchmark. A beta of less than 1 indicates that the fund is less volatile than the market and vice versa. |
| BID/ASK SPREAD: | The difference between the highest price that a buyer is willing to pay (often called bid price) for the underlying assets of securities of the fund and the lowest price that a seller is willing to accept (often called as offer or ask price) for it. |
| CONTRARIAN: | An investment style that goes against prevailing market trends (i.e. against the thinking of many) by buying assets that are performing poorly and then selling when they perform well. |
| CREATION UNIT: | A set of securities or underlying assets that can be created or redeemed by Authorized Participants for a certain number of ETF shares with the fund or trust. The creation units can vary in size ranging from 25,000 to 600,000 shares each. |
| DIVIDEND YIELD: | A financial ratio that measures how much a company pays out in dividends each year relative to its share price. It can be calculated as annual dividend per share divided by price per share. |
| EFFECTIVE DURATION: | A measure of a fund's interest-rate sensitivity. The longer the duration, the more sensitive is the fund to the changes in interest rates. |
| ENHANCED INDEXING: | An investment idea that attempts to amplify the returns of an underlying asset or the fund with lower tracking error. Enhanced indexing combines elements of both passive and active management. |
| EXCHANGE TRADED FUND: | The fund represents a basket of securities (that typically track an index), and is listed and trades like stocks on an exchange. ETFs can be traded throughout the day in amounts as little as one share. |
| EXCHANGE-TRADED NOTE: | The note is a senior, unsecured, unsubordinated debt issued by a major bank. It has a maturity date and is backed only by the credit of the issuer. The ETN however, do not actually hold any security, instead an issuing bank promises to pay to investors the amount reflected by the index's performance (minus fees). |
| EXPENSE RATIO: | An annual fee that the fund or ETF charge from the investors in order to provide exposure to the underlying asset. |
| FUND OF FUNDS: | A fund that invests in other funds instead of investing directly in stocks, bonds or other securities. |
| FUNDAMENTAL INDEXING: | A type of equity index in which stocks or securities are selected based on fundamental metrics such as revenue, dividend rates, earnings or book value. |
| INDEX: | An imaginary portfolio of securities representing a particular market or a portion of it. |
| INVERSE ETF: | An ETF that provides opposite (inverse) exposure in the underlying index through use of various financial and money market instruments over a specified period of time. This ETF is similar to holding a short position in order to take profit from the falling prices. |
| INVESTMENT STYLE: | A different style of investing such as growth, value and blend in a basket of asset. |
| LEVERAGED ETF: | An ETF that uses various financial instruments to amplify the returns (up to 3 times) of the underlying index over a specified period of time. |

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| LIQUIDITY: | The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. |
| MARKET CAPITALIZATION: | Represents the aggregate value of the fund or underlying asset. |
| NET ASSET VALUE: | Value of an ETF on per share basis and is calculated as total asset minus total liabilities divided by number of shares. |
| PASSIVE MANAGEMENT: | A portfolio management strategy where the fund is the mirror image of the performance of the benchmark index. |
| PORTFOLIO TURNOVER: | A percentage of underlying assets bought and sold in a given year. |
| R-SQUARED: | A measure of correlation with the market benchmark. An R-Squared of 100 indicates perfect correlation of the fund that of market while an R-Squared of 0 indicates no correlation. |
| SECTOR ROTATION: | A strategy that involves moving from one sector to another by selling the underlying assets or securities of a sector and purchasing securities or assets in another. |
| SEC YIELD: | A standard yield that the bond funds must pay to its shareholders based on the most recent 30-day period covered by the fund's filings with the SEC. |
| SHORT ETF: | An investment strategy that offers to take short position in the underlying index through various financial instruments. |
| STYLE BOX: | A visual representation of the fund, created by Morningstar, to determine risk-return structures of the portfolio. A style box is comprised of nine squares, or categories, that classify securities by size (small, mid and large cap) along the vertical axis and by value, growth and blend characteristics along the horizontal axis. |
| TARGET DATE FUND: | A fund that invests exclusively in the assets or securities with a certain defined maturity. |
| TRACKING ERROR: | A measure of how closely a portfolio follows the benchmark index. It is calculated as the difference between the returns of fund portfolio and the benchmark index. |
| TREASURY INFLATION PROTECTED SECURITIES: | The bonds that are issued by the U.S. Treasury to protect against inflation. These securities pay interest on an inflated-principal amount (principal rises with inflation) and when the securities mature, investors get either the inflation-adjusted principal or the original principal, whichever is greater. |
| VOLATILITY: | A measure of risk calculated by the annualized daily movement in the fund price. The lower the volatility of the fund the better it is. |
| VOLUME: | The number of shares traded in the market during a given period of time. |
| YIELD CURVE: | A line that plots the interest rates of bonds having equal credit quality but differing maturity dates. The yield curve provides an idea of future interest rate change and economic activity. It generally compares the three-month, two-year, five-year and 30-year U.S. Treasury debt |
| WEIGHTED MATURITY: | The remaining time to maturity of the underlying securities in a portfolio. A fund with a short average maturity is more sensitive to current interest rate fluctuations than one with longer average maturity. |

Disclosure

This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Please read the prospectus carefully.

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