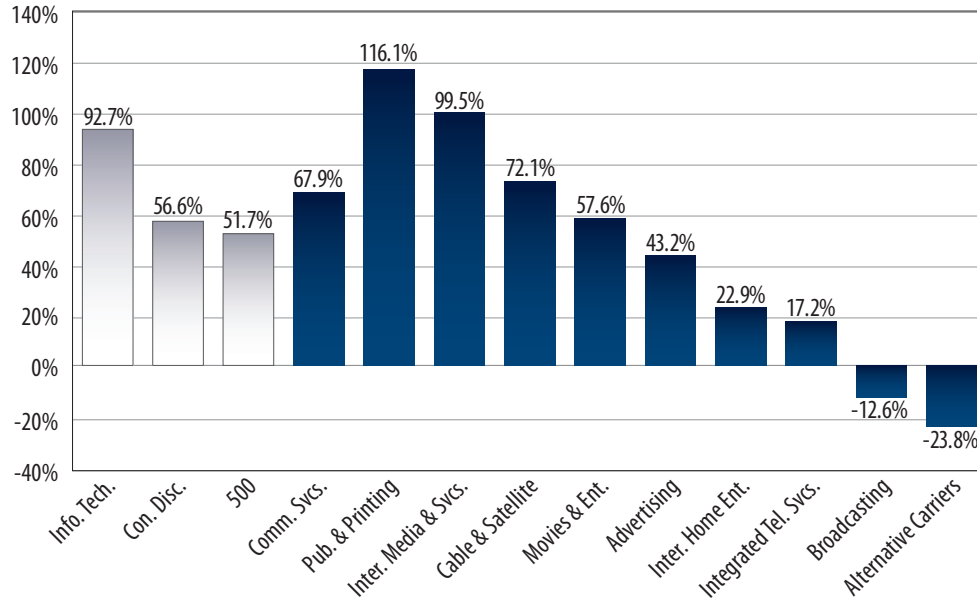


# How Communication Services Has Fared Since Its Inception

## S&P Equity Indices (Cumulative Total Returns)

9/21/18 - 5/7/21



Source: Bloomberg. Past performance is no guarantee of future results.

## View from the Observation Deck

1. For those who may not recall, the Telecommunications Sector was reconstituted within the S&P 500 Index in September 2018. Its name was changed to Communication Services.
2. The number of constituents in this sector expanded from just a handful of telecom carriers to 26 companies today. The new members have brought more diversity to the sector via exposure to the internet, media and entertainment industries (see subsectors in chart above). These companies were formerly members of the information technology and consumer discretionary sectors.
3. As indicated in the chart above, the S&P 500 Communications Services Index has outperformed both the S&P 500 Index (broader market) and the S&P 500 Consumer Discretionary Index since its inception, but has lagged the S&P 500 Information Technology Index. The subsector returns show which industries have driven performance for the communication services sector to date.
4. While the returns in the chart show what has happened, they do not necessarily reflect all that is happening in this space. The future is going to be shaped by 5G wireless technology, which is in the process of being rolled out.
5. The key takeaway for investors is that 5G is expected to deliver data transmission rates up to 10 gigabits per second, a 100x improvement over what 4G delivers, according to Supply Chain Management Review. Faster download speeds are expected to revolutionize consumer media consumption and help facilitate the Internet of Things (IoT), referring to the billions of devices around the globe that are connected to the internet, all of which are collecting and sharing data, according to ZDNet.
6. How big of a deal is 5G? Well, the C-Band Spectrum Auction held this past February raised a record \$81.1 billion, with 21 bidders securing all of the 5,684 licenses up for auction, according to the Federal Communications Commission. The \$81.1 billion nearly doubled the previous auction record of \$44.9 billion, according to Telecompetitor.
7. Investors funneled an estimated net \$3.5 billion into Communications mutual funds and exchange-traded funds (ETFs) for the 12-month period ended 3/31/21, according to Morningstar.
8. Bloomberg's consensus earnings growth rate estimates for the S&P 500 Communications Services Index for 2021, 2022 and 2023 were 22.6%, 13.6% and 15.0%, respectively, as of 5/10/21, compared to 31.5%, 13.1% and 10.9%, respectively, for the S&P 500 Index.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.*

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