

# What is the Nasdaq Composite, and What Companies are in It?

CONTRIBUTOR

[Prableen Bajpai](#)

PUBLISHED

MAY 12, 2021 1:20PM EDT

In 1971, Nasdaq transformed the financial markets with the introduction of the world's first electronic stock market, which eliminated the need for a trading floor and in-person trading. 50 years later, it is the world's largest electronic stock exchange, and the second-largest stock exchange in terms of market capitalization. Nasdaq is not only home to trillion-dollar companies, but is also a name which symbolizes innovation, growth, diversity, and global appeal.

The universe of companies listed on the Nasdaq Stock Market is best represented by the Nasdaq Composite Index ([COMP](#)). Here's a look at the Nasdaq Composite, and how to invest in it.

## Who's in the Nasdaq Composite?

The Nasdaq Composite Index, popularly referred to as 'The Nasdaq' by the media, covers more than 3,000 stocks, all of which are listed on the Nasdaq Stock Market. The Nasdaq Composite is as old as the exchange and is different from another popular index, the Nasdaq-100. That was launched in 1985, and is a more compact index comprising of the top 100 (hence the name) non-financial companies listed on the Nasdaq exchange.

The Nasdaq Composite is a [market cap-weighted index](#), simply representing the value of all its listed stocks. The set of eligible securities includes common stocks, ordinary shares, and common equivalents such as ADRs. However, [convertible debentures](#), warrants, Nasdaq-listed closed-end funds, exchange traded funds (ETFs), preferred stocks, and other derivative securities are excluded.

In terms of the [industry breakdown](#), technology dominates almost half of its weightage. With close to 20%, the consumer services sector ranks second, while health care is third at almost 10%.

Next in line are consumer goods, financials, and industrials, with allocations of 7.61%, 6.61%, and 6.09%, respectively. Industries such as utilities, oil & gas, basic materials, and telecommunications each have less than 1%.

When seen in terms of number of companies from a specific industry, health care is a clear winner, with more than nine hundred companies.

The composition of the Nasdaq Composite is mix of long-established companies that have been on the exchange since inception, to IPO newcomers, companies that grew from OTC exchanges or switched from other exchanges.

On that last one, for example, PepsiCo ([PEP](#)), Kraft Heinz ([KHC](#)), AstraZeneca ([AZN](#)), and Honeywell International ([HON](#)) are some of the companies that moved to Nasdaq from the New York Stock Exchange (NYSE).

The current top 20 constituents of the index are:

- Apple ([AAPL](#))
- Microsoft ([MSFT](#))
- Amazon ([AMZN](#))
- Facebook ([FB](#))
- Alphabet Class C ([GOOG](#))
- Tesla ([TSLA](#))
- Alphabet Class A ([GOOGL](#))
- NVIDIA ([NVDA](#))
- PayPal ([PYPL](#))
- Intel ([INTC](#))
- Comcast ([CMCSA](#))
- Netflix ([NFLX](#))
- Adobe ([ADBE](#))
- Cisco ([CSCO](#))
- PepsiCo ([PEP](#))
- Broadcom ([AVGO](#))
- Texas Instruments ([TXN](#))
- T-Mobile ([TMUS](#))
- Costco Wholesale ([COST](#))
- Qualcomm ([QCOM](#))

## Performance

The performance of the Nasdaq Composite is often compared with the S&P 500 and Dow Jones. After the Dot Com Bubble, from 2003-2020, Nasdaq outperformed the S&P 500 in 12 out of 18 years, and the Dow Jones 14 times. In the wake of the Great Recession, 2009-2020, Nasdaq outperformed the S&P 500 and Dow Jones ten times.

## Taking Exposure

The easiest way for individual investors to participate in the Nasdaq Composite is Fidelity's exchange traded fund. Launched in 2003, the Fidelity Nasdaq Composite Index ETF ([ONEQ](#)) tracks the broad-based Nasdaq Composite Index. According to the prospectus, the fund "uses statistical sampling techniques that take into account such factors as capitalization, industry exposures, dividend yield, price-to-earnings (P/E) ratio, price-to-book (P/B) ratio, and earnings growth to create a portfolio of securities listed in the Nasdaq Composite Index that have a similar investment profile to the entire index."

It invests at least 80% of assets in common stocks included in the index. The ETF has \$4.1 billion as assets under management and an expense ratio of 0.21%. In addition to the ETF, Fidelity Nasdaq Composite Index Fund ([FNCMX](#)) can also be used to take exposure to the Nasdaq Composite.

### **Final Word**

The Nasdaq Composite has evolved with time, and today, it stands as a more mature, more profitable, and relatively less tech-heavy than it was two decades ago. It represents a more innovative and growth-oriented sector of the economy.