

Harness the growth potential of international innovation

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Key takeaways

While US-domiciled, Nasdaq-listed firms are well known, international companies may be overlooked despite their growth and diversification potential.

Many international growth indices select companies based on past growth, but a more focused approach may be screening for what causes this growth and its durability.

The Invesco Nasdaq International Innovators 100 ETF (QQI) expands the Invesco QQQ Innovation Suite internationally, providing exposure to large and mid-cap innovators across developed and emerging markets.

US-based companies that trade on the Nasdaq are among the best-known drivers of equity returns. Firms such as Apple, NVIDIA, and Microsoft have helped define the past decade of market leadership and remain central to many portfolios.¹ But their success can narrow investors' lens, making it easier to overlook international companies that may offer new sources of growth, diversification, and innovation-driven return potential.

Across international developed and emerging markets, companies are investing heavily in research and development (R&D), bringing new products and services to market, and seeking to generate profits. For investors concentrated in US companies, international innovators may help broaden the opportunity set and add differentiated sources of potential return.

Pursuing innovative opportunities abroad, however, takes more than broad exposure to non-US growth stocks. A more focused approach looks for companies where innovation is visible in both inputs and outcomes: meaningful R&D spending, evidence that R&D expense is translating into revenue and margin growth, and profitability that suggests those innovative advantages can endure.

Identifying truly innovative companies

Most international growth indices select companies based on their historical growth measures. Common screening metrics used by these indices include current internal growth rate, long-term historical earnings-per-share (EPS) growth trend, and long-term historical sales per share growth trend, among other criteria.

That backward-looking approach focuses on the historical outcome rather than the underlying drivers of growth. A company qualifies for inclusion in these types of indices because its earnings have grown, not because of what produced the growth.

The Nasdaq International Innovators 100 Index takes a different approach, seeking to identify 100 international companies with strong evidence of innovation. Its unique Innovator Score screens on five metrics organized around three innovation-based concepts:²

- **Intentional investment in innovation:** The index measures a company's R&D expense as a percentage of annual sales, which indicates a company's commitment to R&D as part of their corporate strategy.
- **Commercialization of R&D:** The index calculates revenue growth and gross margin growth to identify companies that have successfully translated R&D spending into business results.
- **Durable competitive positioning:** The index computes three-year average gross margin and the three-year gross margin Sharpe ratio to help identify companies with sustained profitability over time.

Together, these measures help separate companies that have merely benefited from past growth from those actively investing in innovation and turning that investment into business performance. For investors, that distinction may be critical when seeking international exposure that is both growth-oriented and grounded in a commitment to profitable innovation.

A commitment to innovation and fundamental growth

A framework built around innovation should ultimately identify companies turning R&D investment into stronger fundamentals. R&D spending of the firms within the Nasdaq International Innovators 100 Index suggests that distinction is meaningful: constituents within that index have spent approximately 13% of sales on R&D, compared with roughly 5% for the MSCI ACWI ex USA Index and the MSCI EAFE Growth Index, and 3% for the MSCI EAFE Index.³ That gap suggests the Nasdaq International Innovators 100 Index is identifying companies that make innovation a central part of their business model, rather than simply capturing firms with strong historical growth.

Higher R&D spending has historically translated into attractive profitability metrics.

- Nasdaq International Innovators 100 Index constituents posted a weighted average gross margin of 65% as of June 30, 2026, compared with 36% for the MSCI EAFE Growth Index, and an operating margin of 24% versus 14%, respectively.
- Return on equity was higher at 18% for the Nasdaq International Innovators 100 Index versus 15% for the MSCI EAFE Growth Index, and the former exhibited materially lower financial leverage versus the latter (54% vs. 108%).³

These relatively attractive metrics are consistent with companies that are investing in innovation and commercializing it profitably.

Where international innovators are domiciled

Screening for innovation rather than growth alone also leads to a different geographic profile, with greater exposure to markets where research-intensive industries are more heavily represented.

Based on the country domicile of the underlying companies in the Nasdaq International Innovators 100 Index, Taiwan represents approximately 15% of the index, followed by China at 13%, South Korea at 9%, Japan at 8%, and the UK at 6%. The MSCI EAFE Index, by contrast, has no exposure to Taiwan, China, or South Korea, and allocates 23% to Japan and 13% to the UK.³

Those exposure differences are a function of where innovation has occurred rather than a view on any individual market. Innovative technology and production such as semiconductor manufacturing, display technology, advanced components, and electronics design have clustered in East Asia over decades, and the companies operating in those industries are among the most research-intensive in the world. An index built to find R&D spending and margin durability, such as the Nasdaq International Innovators 100 Index, is designed to naturally locate them.

For investors, the practical implication is that exposure to international innovation may not be well captured by a developed-markets benchmark. Identifying these international innovators requires a selection process that looks across both developed and emerging markets.

Gaining exposure to international innovators

The Invesco Nasdaq International Innovators ETF (QQI) tracks the Nasdaq International Innovators 100 Index, offering exposure to large- and mid-cap innovators domiciled outside the United States across both developed and emerging markets.

QQI expands the Invesco QQQ Innovation Suite as its first internationally focused solution. For investors who already have US innovation exposure through the funds in the suite, QQI targets a comparable set of company characteristics abroad without duplicating those US holdings.

Innovation extends beyond domestic borders, but identifying it takes more than broad international exposure. Companies developing technologies and business models that may shape the next decade are listed across developed and emerging markets, creating opportunities for investors willing to look beyond familiar US leaders. For those seeking growth and diversification through a more targeted framework, QQI offers access to international companies where innovation is reflected in both investment and business results.

Percentage of holdings by Innovation Suite ETFs in APPL, MSFT, and NVDA:

- August 26, 2026
- August 17, 2026
- July 31, 2026
- March 11, 2026

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Investments focused in a particular sector are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.

The Fund is considered non-diversified and may experience greater volatility than a more diversified investment.

Stocks of medium-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

The risks of investing in securities of foreign issuers can include fluctuations in foreign currencies, political and economic instability, and foreign taxation issues.

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