

AI-04564 SOXQ vs FTEC Analysis

Explain the changes of SOXQ in August 2025. It was in lock step with FTEC for 5 years and then post August 2025, SOXQ started to outperform FTEC

To understand why the **Invesco PHLX Semiconductor ETF (SOXQ)** broke away from the **Fidelity MSCI Information Technology Index ETF (FTEC)**, it helps to look at structural portfolio differences rather than any index methodology rule change.

While both funds are heavy hitters in tech, **SOXQ is a pure-play semiconductor ETF**, whereas **FTEC is a broad-market tech ETF**.

The inflection point around mid-to-late 2025—leading into massive outperformance—came down to **the concentration of AI hardware infrastructure vs. non-semiconductor tech drag**.

1. Pure-Play AI Hardware vs. Broad Tech Allocation

The fundamental driver of the divergence is what each ETF actually holds:

ETF HOLDINGS & CONCENTRATION

	SOXQ: Pure Semiconductors (~30 Holdings)	
	[Nvidia / Broadcom / AMD / Micron / KLA / Applied Materials]	
	100% Chips, Foundry, Memory & Capital Equipment	

	FTEC: Broad InfoTech (~280+ Holdings)	
	[Apple / Microsoft / Nvidia / Software / IT Services]	
	~30-35% Semiconductors ~65-70% Software, Hardware, Services	

- **SOXQ (100% Semiconductors):** Concentrates exclusively on ~30 companies across chip design, memory, manufacturing, and semiconductor capital equipment (such as Nvidia, Broadcom, Micron, AMD, KLA, and Applied Materials).

- **FTEC (Broad IT):** While FTEC holds Nvidia, **over 60% of its weight is diluted across non-chip tech**—including massive allocations to Apple, Microsoft, Enterprise Software, and IT Services.

2. What Triggered the Mid-2025 Divergence?

Starting in the second half of 2025, several market dynamics accelerated chip stock outperformance over broad technology:

A. The High-Bandwidth Memory (HBM) & Capex Explosion

- Global data center capex spiked over **50% year-over-year**, heavily driven by hyperscalers (Microsoft, Amazon, Alphabet) building out AI clusters.
- This created an intense surge in demand for semiconductor-specific hardware—notably **High-Bandwidth Memory (HBM)**, memory chips (Micron, SK Hynix), and customized ASICs (Broadcom). SOXQ captures this entire supply chain natively.

B. Software & Non-Chip Tech Growth Lagged

- Non-chip technology companies in FTEC's basket experienced slower relative growth due to longer software enterprise sales cycles and higher capital outlay on infrastructure.
- Big Tech constituents like **Apple** and **Microsoft** saw stable, solid growth, but nowhere near the exponential earnings expansion delivered by pure-play semiconductor manufacturers.

C. Weighting & Capping Dynamics

- **SOXQ** tracks the *PHLX Semiconductor Sector Index (SOX)*, which caps its top 3 constituents at 12%, 10%, and 8%. This distributes significant weight into the entire supply chain (equipment makers like Lam Research and Applied Materials, alongside chip designers).
- **FTEC** follows market-cap weighting capped per MSCI rules, leaving large portfolio segments tied to consumer tech hardware and software.

Summary Comparison

Attribute	SOXQ (Invesco PHLX Semi)	FTEC (Fidelity MSCI InfoTech)
Focus	Pure Semiconductor Supply Chain	Broad Information Technology Sector
Holdings Count	~30 stocks	~280+ stocks
Top Exposures	NVDA, AVGO, AMD, MU, AMAT	NVDA, AAPL, MSFT, AVGO

AI Beneficiaries	Direct physical hardware & chips	Diluted across software & services
Volatility Profile	Higher Beta / High Growth	Lower Beta / Tech Benchmark

Post-August 2025, **SOXQ stopped trading like broad tech** because market returns became hyper-concentrated in physical chip capacity, advanced packaging, and AI infrastructure hardware—areas where SOXQ has 100% exposure and FTEC only partial exposure.

Show the internal stocks of SQXQ and FTEC side by side.

The driver behind the divergence between **SOXQ** (Invesco PHLX Semiconductor ETF) and **FTEC** (Fidelity MSCI Information Technology Index ETF) lies in their scope and stock weightings.

SOXQ is a **pure-play semiconductor ETF** containing ~30 targeted stocks across chip design, memory, and equipment. FTEC is a **broad-market technology ETF** holding ~285+ stocks spanning software, consumer hardware, and IT services alongside semiconductors.

1. Top 10 Stock Weight Comparison

The side-by-side comparison below details the top holdings of each fund to highlight where their portfolio weight is concentrated:

Stock / Company	Ticker	SOXQ Weight (%)	FTEC Weight (%)	Primary Category
NVIDIA Corp	NVDA	13.37%	16.52%	Semiconductor (AI Accelerators)
Apple Inc	AAPL	— (0.00%)	17.40%	Consumer Hardware
Microsoft Corp	MSFT	— (0.00%)	10.55%	Enterprise Software / Cloud
Broadcom Inc	AVGO	10.11%	4.16%	Semiconductor (Networking/ASICs)
Micron Technology Inc	MU	7.80%	4.04%	Semiconductor (Memory / HBM)
Applied Materials Inc	AMAT	5.03%	1.66%	Semiconductor CapEx Equipment
ASML Holding NV	ASML	4.55%	— (0.00%)	Semiconductor Lithography

				Equipment
Marvell Technology Inc	MRVL	4.41%	0.69%	Semiconductor (Data Center Custom Chips)
KLA Corp	KLAC	4.32%	1.01%	Semiconductor CapEx Equipment
Taiwan Semiconductor	TSM	4.29%	— (0.00%)	Pure-Play Foundry Foundry
Lam Research Corp	LRCX	4.13%	1.56%	Semiconductor CapEx Equipment
Advanced Micro Devices	AMD	4.07%	3.23%	Semiconductor (CPUs & GPUs)

2. Structural Breakdown

PORTFOLIO STRUCTURAL ALLOCATION

SOXQ: Pure Semiconductor Supply Chain (~30 Holdings)

[100% Chips, Foundries, Memory, Fab Equipment & Design]

NVDA + AVGO + MU + AMAT + ASML + MRVL + KLAC + TSM + LRCX + AMD...

FTEC: Broad Tech Sector Basket (~285 Holdings)

[~44% Broad Tech (Apple, Microsoft, Enterprise Software, Services)]

[~32% Semiconductors (Concentrated heavily in NVDA, AVGO, MU)]

[~24% Small/Mid Cap IT, Hardware, PC/Mobiles & Peripheral Equipment]

- **Non-Chip Drag on FTEC:** Apple (AAPL) and Microsoft (MSFT) alone command **~28%** of FTEC's entire portfolio. While both are tech leaders, their lower relative revenue expansion compared to hardware equipment makers weighed on FTEC's ability to keep pace with pure semiconductor indexes.
- **Deep Supply Chain Concentration in SOXQ:** Beyond design giants like NVIDIA and Broadcom, SOXQ allocates **over 22%** of its fund to the capital equipment makers (ASML, Applied Materials, KLA, Lam Research) and foundries (TSMC). These equipment makers saw massive multi-year order backlogs as global factories built out silicon capacity.

