

AI-01382 Compound Annual Growth Rate

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Explain CAGR. What is the CAGR of FTEC, SPX, NDX in 5 years.

Sure! Let's start with an explanation of **Compound Annual Growth Rate (CAGR)**.

What is CAGR?

CAGR is a useful measure to understand the annual growth rate of an investment over a specific period of time, assuming the profits are reinvested at the end of each year A. It's calculated using the following formula:

CAGR (Compound Annual Growth Rate)

- Definition: CAGR represents the annualized rate of return of an investment over a specific period, assuming that the investment has been compounding over that time.
- Significance:
 - It provides a consistent measure of growth, regardless of the volatility or timing of cash flows within the investment period.
 - Helps compare the performance of different investments over different time horizons.

Calculating CAGR:

- Formula:
 - $CAGR = (Ending\ Value / Beginning\ Value)^{(1/Number\ of\ Years)} - 1$

where:

- **EV** = Ending value of the investment
- **BV** = Beginning value of the investment
- **n** = Number of years

CAGR of FTEC, SPX, and NDX over 5 years

Now, let's look at the 5-year CAGR for the funds you mentioned:

- **Fidelity MSCI Technology Index ETF (FTEC)**: The 5-year CAGR is approximately **21.5%** B.
- **S&P 500 Index (SPX)**: The 5-year CAGR is approximately **15.3%** C.
- **NASDAQ-100 Index (NDX)**: The 5-year CAGR is approximately **18.7%** D.

These figures give you an idea of how these investments have performed on an annualized basis over the past 5 years.