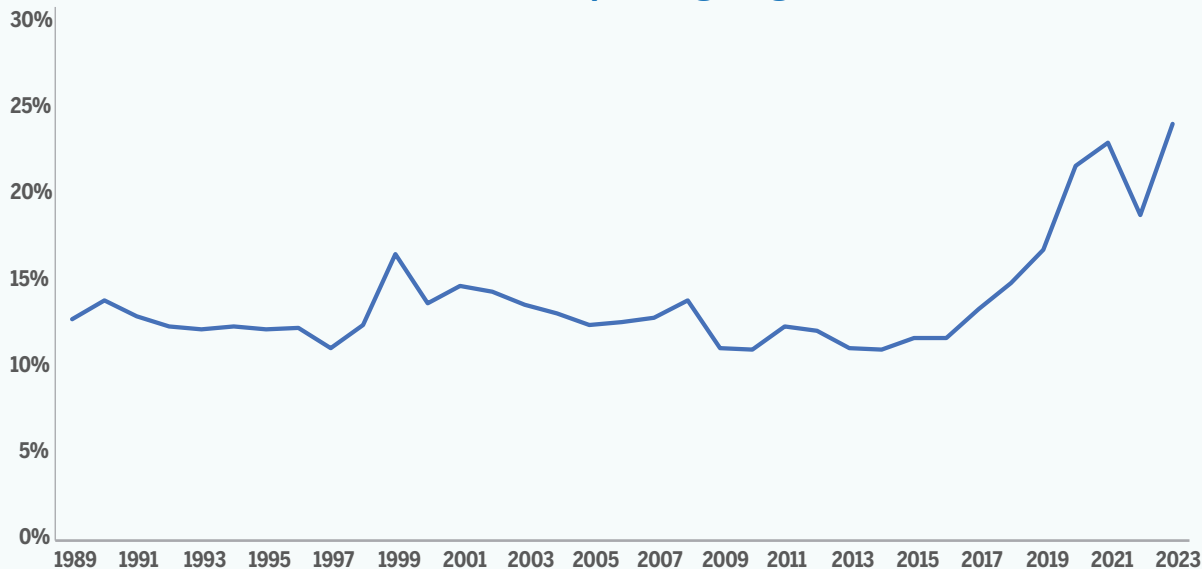


Concerned About Index Concentration?

As the market capitalization of the largest companies has grown significantly, their index weightings have become larger and have resulted in a more concentrated S&P 500. How does this compare to history and what could this mean for investors going forward?

S&P 500 Top 5 Weighting



Source: FactSet.

- The top five stocks in the S&P 500 have a collective market capitalization (market cap) of approximately 24% of the index--the highest level in decades. The current leaders by market cap include Apple, Microsoft, Amazon, Nvidia, and Alphabet.
- Further, the majority of the U.S. equity market's year-to-date (YTD) returns have been driven by the top ten stocks by market cap, as of May 31, 2023. In fact, when comparing the relative YTD performance of the market cap weighted S&P 500 Index versus the equal weighted version, the market cap index has outperformed by approximately 1,000 basis points, as of May 31, 2023, the largest relative outperformance since 1999.
- In 1965, a year in which we saw meaningful concentration, the top five companies took up nearly 26% of the S&P 500 Index. However, their index concentration gradually fell over the following years, as smaller companies continued to innovate and gain market share. Historically, market concentration tends to reach a natural limit as the incumbents and their respective industries eventually mature. As such, we believe active management may stand to benefit as index concentration reverts to the mean. As the adage goes: past performance is not indicative of future results.



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The S&P 500 Index is an index of large company stocks considered to be representative of the U.S. stock market.

The following positions represent firm wide assets under management as of March 31, 2023: Apple, Inc. 4.50%; Microsoft Corporation 7.32%; NVIDIA Corporation 3.22%; Amazon.com, Inc. 3.28%; Alphabet Inc. 1.84%

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