LYRICAL
ASSET MANAGEMENT

Warning Signs

In the second quarter of 2024, the S&P 500 outperformed the S&P 500 Equal Weight by almost seven percentage points. This was one of the widest differentials on record. While this is clearly good news for the S&P 500 for the quarter, we believe it is also a clear warning sign of potential significant underperformance for the years ahead.

MEGA-CAP MANIA

We look to broad indexes like the S&P 500 as a measure of how the broad stock market is performing. With 500 constituents, you would expect that the S&P 500 is representative of how the average stock fares, with about half doing better and half worse. While this is typically the case, something extreme took place in the second quarter of 2024 ("2Q24"). Instead of an equal number of relative winners and losers, the losers outnumbered winners by a ratio of 3:1. A whopping 75% of index constituents underperformed, while a meager 25% outperformed.

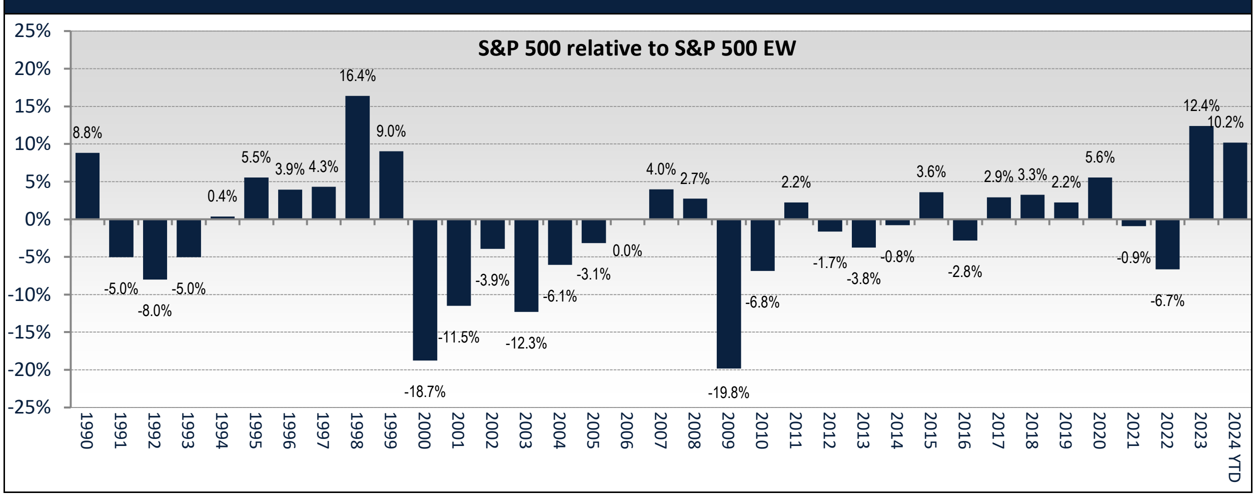
How could this be possible? Well, the S&P 500 is a capitalization-weighted index, and a small number of mega-cap stocks carry substantial weight, while most of the remaining constituents each count for very little. In 2Q24, there was a skew in the market in favor of mega-cap growth stocks to the exclusion of almost everything else. This was evident in comparing the returns of the S&P 500 to its equal-weighted counterpart. While the S&P 500 gained 4.3% in the quarter, the S&P 500 Equal Weight ("S&P 500 EW") lost 2.6%, a difference of almost seven percentage points. This is one of the widest differentials over a three-month period since S&P created the S&P 500 EW in 1990, almost 35 years ago.

WEIGHT MATTERS

The S&P 500 and the S&P 500 EW hold the same constituents but differ in the way they are weighted. You might not expect a weighting difference to have a major impact on performance, but historically it has mattered a lot.

The bar graph below shows the year-to-year performance of the S&P 500 relative to the S&P 500 EW back to 1990, when S&P created the equal weight index. In many of these 35 years, the two indexes have diverged quite meaningfully.

Annual Return Difference



Source: FactSet; 2024 YTD returns through June 30, 2024

For 2023 and 2024 YTD, we can see that the outperformance of mega-cap growth stocks has propelled the S&P 500 to outperform the S&P 500 EW by historic amounts. After over 12 percentage points of outperformance in 2023, the S&P 500 is outperforming by more than 10 percentage points in 2024 YTD. In fact, if the first half of

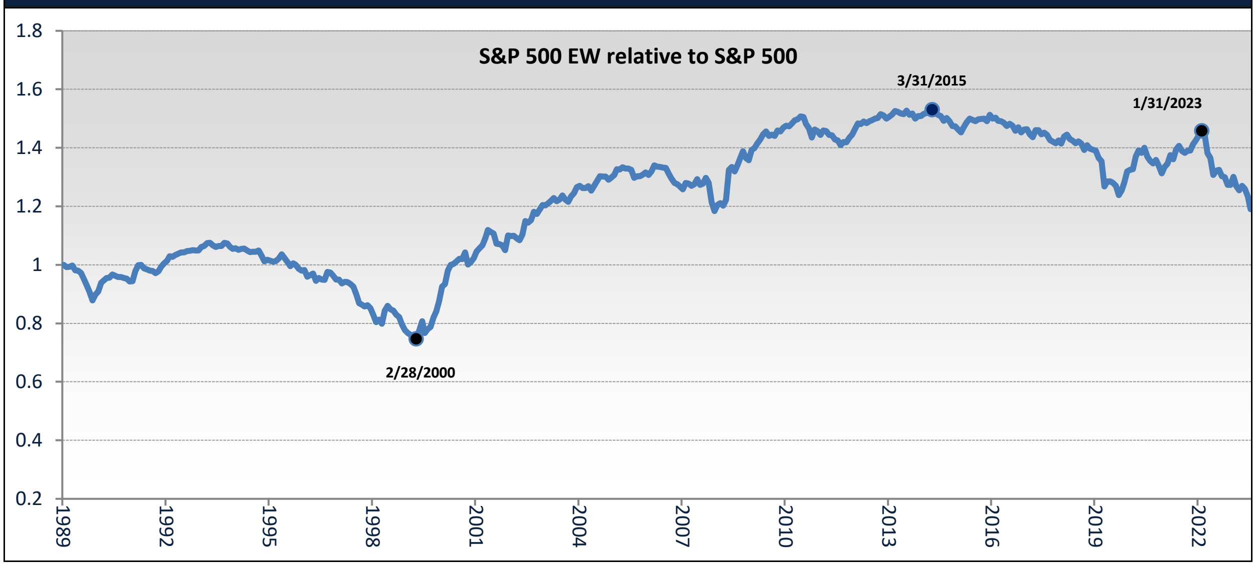
2024 were a full year, it would rank as the third highest annual outperformance in this 35-year history, bested only by 2023 and 1999.

This magnitude of outperformance is rare, but not unprecedented. We have observed a similar outperformance in 1998 and 1999 during the Tech Bubble era. Back then, the extreme outperformance came to a harsh end in 2000, and then from 2000 to 2022 the S&P 500 underperformed the S&P 500 Equal Weight by three percentage points per year for 23 years. Investors should be wary that this era may end as badly for the mega-caps as the last one did.

THE LONG VIEW

The ups and downs of the year-to-year performance can obscure the long-term trend, which has been for the S&P 500 EW to outperform. Shown below is the line graph of the cumulative outperformance of the S&P 500 EW relative to the cap-weighted S&P 500. Contrary to the AI era of the last 18 months, the prevailing historical trend has been for the equal weight index to outperform, which you can observe as a rising line.

Cumulative Return Difference



Source: FactSet

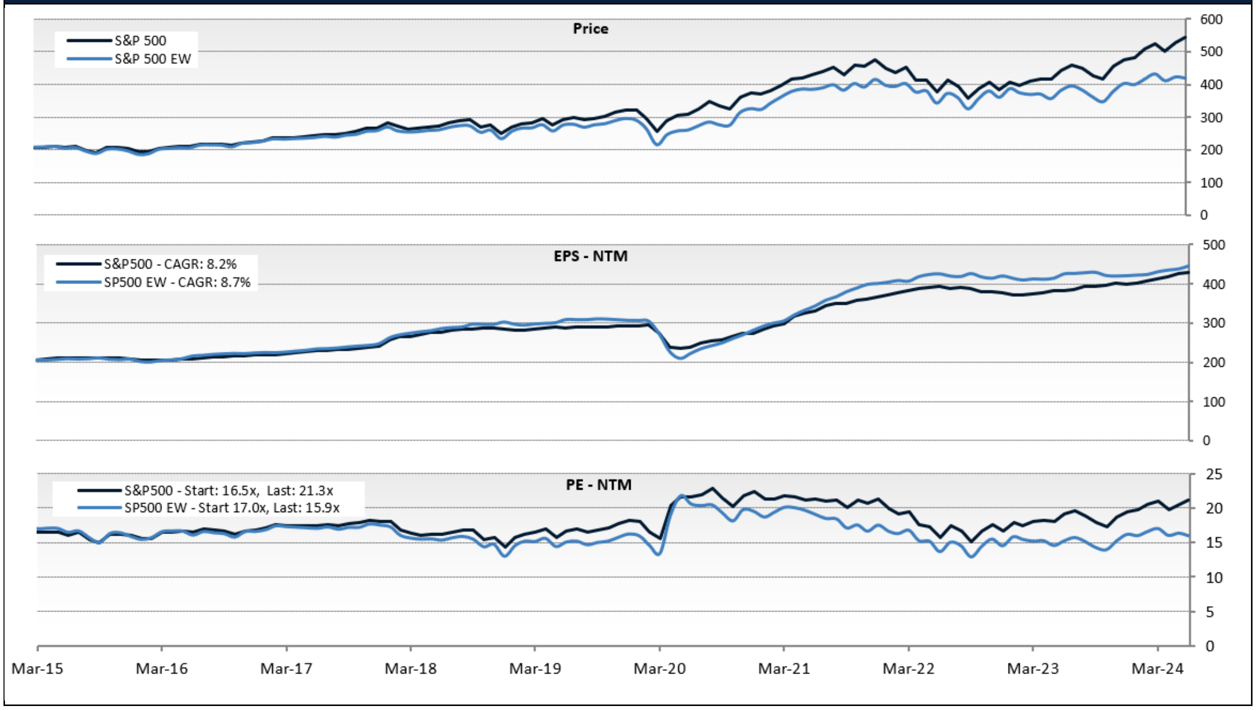
The latest underperformance of the S&P 500 EW has been most acute since early 2023, but it has been going on much longer than that. Relative performance for the S&P 500 EW peaked about nine years ago in March 2015. Since then, for about eight years from 2015 through 2022, the S&P 500 EW mildly underperformed by 80 bps per year. Then, as AI became a theme over the last 18 months, the equal weight index underperformed by an additional 26 percentage points.

FUNDAMENTAL SUPPORT?

Perhaps the outperformance of the S&P 500 is justified given the earnings growth of mega-caps like the Magnificent Seven. That seems like a reasonable thesis, but it is not supported by the data.

On the graphs below we show a comparative Price, Earnings, and P/E ratio for the S&P 500 and S&P 500 EW. These line graphs start in March 2015 when the outperformance of the S&P 500 Equal Weight peaked.

S&P 500 vs. S&P 500 Equal Weighted



Source: FactSet

The Price graph panel at the top shows the outperformance of the S&P 500 relative to the S&P 500 EW over this 9+ year period. The Earnings and P/E graphs dissect how it happened.

In the middle panel we have the earnings growth of the two indexes. Despite the outsized influence of mega-cap growth stocks on the S&P 500, it is the S&P 500 EW that had the better earnings growth rate over this period. The S&P 500 EW compounded earnings at an 8.7% rate, 50 bps per annum faster than the 8.2% growth rate of the S&P 500.

Since the S&P 500 outperformed while growing earnings more slowly, more than 100% of its outperformance has come from relative multiple expansion. You can see that in the bottom panel which graphs the P/E ratios for the indexes.

At the start of this period, the S&P 500 EW had a P/E of 17.0x, a half point higher than the 16.5x multiple of the S&P 500. This equated to a 3% premium. By the end of this period, the S&P 500 EW P/E compressed 6% from 17x to 15.9x, while the slower growing S&P 500 P/E expanded 30% from 16.5x to 21.3x. Thus, the S&P 500 multiple went from a 3% discount to a 34% premium. That alone drove its outperformance, offset somewhat by slower earnings growth.

The S&P 500's current 34% valuation premium is inconsistent with its slower historical growth. For this premium to hold, the S&P 500 will have to defy history and outgrow the S&P 500 EW by a wide margin. If it cannot do that, the two multiples should converge, and the S&P 500 should significantly underperform. That is not just our expectation, but also what has happened historically after the prior periods of significant S&P 500 outperformance.

A BAD OMEN

We have looked at the best periods on record of the S&P 500 outperforming the S&P 500 EW, and then looked at the subsequent returns. History shows that after the S&P 500 outperforms by a lot, it goes on to underperform by even more over the next three- and five-years, with no exceptions so far.

The table below chronicles the best three-month periods of the S&P 500 performance relative to the S&P 500 EW. Since 1990, we have 412 rolling three-month periods, and at the top of the list is the period ending in May 2023. In those three months, the Magnificent Seven and the AI trade began, while at the same time the rest of the market lagged due to the sudden implosion of Silicon Valley Bank. The S&P 500 outperformed the S&P 500 EW by an astonishing 10.1 percentage points, a margin more than 2 percentage points greater than the second-best period on record.

Best 3-Month Periods for S&P 500 Relative to S&P 500 EW

Rank	Era	End Date	3 Month Relative Return	Next 1 Year Relative Return	Next 3 Year Relative Return	Next 5 Year Relative Return
1	AI	5/31/23	10.1%	+7.2%	N/A	N/A
2	Tech Bubble	1/31/99	7.8%	+6.1%	-28.8%	-48.0%
3	Tech Bubble	12/31/99	7.5%	-18.7%	-27.0%	-58.3%
4	COVID	3/31/20	7.1%	-15.3%	-15.0%	N/A
5	Tech Bubble	7/31/98	7.1%	+3.5%	-19.5%	-31.0%
6	AI	6/30/24	6.9%	N/A	N/A	N/A
7	Tech Bubble	11/30/99	6.7%	-12.4%	-29.2%	-57.4%
8	Gulf War	10/31/90	6.6%	-11.2%	-32.6%	-33.4%
9	AI	4/30/23	6.5%	+9.5%	N/A	N/A
10	GFC	11/30/08	6.2%	-18.4%	-34.3%	-60.2%
11	Tech Bubble	10/31/99	5.9%	-6.1%	-21.7%	-50.5%
12	Tech Bubble	8/31/98	5.8%	+5.6%	-25.3%	-41.5%
13	Gulf War	9/30/90	5.8%	-7.0%	-25.9%	-30.5%
14	COVID	4/30/20	5.3%	-11.1%	-9.3%	N/A
15	COVID	5/31/20	5.3%	-12.6%	-2.5%	N/A
16	Tech Bubble	2/28/99	5.0%	+9.2%	-29.0%	-49.6%
17	AI	6/30/23	4.8%	+12.8%	N/A	N/A
18	GFC	12/31/08	4.6%	-19.8%	-29.6%	-57.2%
19	Tech Bubble	1/31/00	4.6%	-22.8%	-28.6%	-60.5%
20	Gulf War	8/31/90	4.6%	-3.8%	-20.0%	-25.9%
21	AI	3/31/23	4.6%	+10.5%	N/A	N/A
22	Tech Bubble	6/30/98	4.5%	+7.1%	-15.1%	-25.0%
23	COVID	8/31/20	4.2%	-11.5%	-7.1%	N/A
24	Tech Bubble	2/29/00	4.2%	-29.2%	-30.0%	-66.5%
25	Tech Bubble	9/30/98	4.2%	+5.5%	-17.7%	-38.7%
26	COVID	8/31/21	4.1%	-2.9%	N/A	N/A
27	Tech Bubble	12/31/98	4.1%	+9.0%	-25.4%	-43.9%
28	GFC	9/30/07	4.0%	-0.0%	-11.2%	-11.5%
29	Europe Debt	9/30/11	3.9%	+1.5%	-8.3%	-9.6%
30	GFC	10/31/08	3.8%	-13.7%	-28.3%	-49.5%
Average S&P 500 Relative Performance (cum)				**-4.4%**	**-21.7%**	**-42.4%**

Source: FactSet

Moving down the table, we find that three of the next four periods were from the late 90s during the Tech Bubble era, and one was from March 2020 during the COVID sell-off. After those five, you will find the most recent three months that ended in June 2024 as the sixth best period on record.

In addition to the best three-month periods, the table shows the performance of the S&P 500 relative to the S&P 500 EW in the following one-, three- and five-years. Notice all the negative relative returns in red in these columns.

When we originally constructed this table, we started with the ten best three-month periods. When every single one showed significant negative relative performance over the next three- and five-years, we expanded the table to 15 periods. Then 20, 25, and finally 30.

It turns out, significant outperformance of the S&P 500 over the S&P 500 EW has been a bad omen for the future. We do not have data for all thirty, as a few periods in this table are too recent to have subsequent three- and five-year returns. For the periods that are old enough, the record is unanimous. After every single one, the S&P 500 underperformed in the following three- and five- years. Furthermore, the underperformance has been severe. On average, the next three years resulted in over 20 percentage points of underperformance, and the next five produced over 40.

It is possible that this time it will be different, but if your hope is that the cap weighted S&P 500 (and the mega-cap growth stocks driving it) will continue to outperform the average stock, history is heavily stacked against you.

BUT WAIT, THERE'S MORE

This data makes a convincing argument to prefer the S&P 500 EW over the S&P 500. Over the long term, the S&P 500 EW is the index with better growth and better returns (even after the last 18 months of underperformance). Furthermore, given the recent outperformance of the S&P 500, history suggests the S&P 500 EW is poised for substantial outperformance over the next three and five years.

As good as the case is for the S&P 500 EW, there is something even better to consider, namely value stocks. The table below is just like the table above. The one change is the subsequent returns are for the S&P 500 relative to the cheapest quintile of the top 1,000 US stocks, rather than relative to the S&P 500 EW.

Best 3-Month Periods for S&P 500 Relative to Cheapest Quintile

Rank	Era	End Date	3 Month Relative Return	Next 1 Year Relative Return	Next 3 Year Relative Return	Next 5 Year Relative Return
1	AI	5/31/23	10.1%	-4.6%	N/A	N/A
2	Tech Bubble	1/31/99	7.8%	+15.1%	-61.0%	-117.7%
3	Tech Bubble	12/31/99	7.5%	-36.1%	-78.2%	-172.5%
4	COVID	3/31/20	7.1%	-30.8%	-44.1%	N/A
5	Tech Bubble	7/31/98	7.1%	+6.7%	-35.8%	-80.5%
6	AI	6/30/24	6.9%	N/A	N/A	N/A
7	Tech Bubble	11/30/99	6.7%	-20.1%	-73.2%	-160.5%
8	Gulf War	10/31/90	6.6%	-34.7%	-83.5%	-133.0%
9	AI	4/30/23	6.5%	+0.7%	N/A	N/A
10	GFC	11/30/08	6.2%	-26.3%	-45.0%	-109.8%
11	Tech Bubble	10/31/99	5.9%	-6.8%	-60.2%	-139.1%
12	Tech Bubble	8/31/98	5.8%	+12.8%	-49.3%	-98.2%
13	Gulf War	9/30/90	5.8%	-24.7%	-75.4%	-118.4%
14	COVID	4/30/20	5.3%	-22.4%	-31.6%	N/A
15	COVID	5/31/20	5.3%	-26.7%	-22.2%	N/A
16	Tech Bubble	2/28/99	5.0%	+21.6%	-67.3%	-125.3%
17	AI	6/30/23	4.8%	+6.9%	N/A	N/A
18	GFC	12/31/08	4.6%	-22.1%	-31.3%	-95.4%
19	Tech Bubble	1/31/00	4.6%	-40.7%	-84.2%	-182.4%
20	Gulf War	8/31/90	4.6%	-14.6%	-58.5%	-95.8%
21	AI	3/31/23	4.6%	+0.8%	N/A	N/A
22	Tech Bubble	6/30/98	4.5%	+15.0%	-22.4%	-66.0%
23	COVID	8/31/20	4.2%	-25.1%	-39.6%	N/A
24	Tech Bubble	2/29/00	4.2%	-57.2%	-93.3%	-220.0%
25	Tech Bubble	9/30/98	4.2%	+15.0%	-43.4%	-98.2%
26	COVID	8/31/21	4.1%	-14.1%	N/A	N/A
27	Tech Bubble	12/31/98	4.1%	+22.5%	-52.3%	-104.3%
28	GFC	9/30/07	4.0%	+3.2%	-9.6%	-7.4%
29	Europe Debt	9/30/11	3.9%	+0.5%	-34.9%	-13.1%
30	GFC	10/31/08	3.8%	-16.5%	-34.0%	-78.0%
Average S&P 500 Relative Performance (cum):				**-10.4%**	**-51.3%**	**-110.8%**

Source: FactSet

On average, over the subsequent three years, the cheapest quintile outperformed the S&P 500 EW by 30 percentage points, and the S&P 500 by 51. Over the subsequent five years, the cheapest quintile outperformed the S&P 500 EW by 68 percentage points, and the S&P 500 by 111.

Not only are the average results substantially better for value stocks, but in every period except one, the cheapest stocks outperformed the S&P 500 EW. The one instance the S&P 500 EW outperformed the cheapest quintile was the period ended September 2007, early in the onset of the Global Financial Crisis. While that is the only time on this list the S&P 500 EW outperformed the cheapest quintile, keep in mind that even then the cheapest quintile still outperformed the S&P 500 by 960 bps over three years, and 740 bps over five.

CONCLUSION

We believe the recent outperformance of the S&P 500 relative to the S&P 500 EW is a clear warning sign. Every time the S&P 500 has outperformed like this, it has underperformed in the following three and five years, usually by substantial amounts. This time may be different, but investors should understand the historical odds they are defying if they try to continue to ride the wave of mega-cap stock performance.

Although the S&P 500 EW appears to be the clear superior choice for delivering better returns over the next three and five years, a value stock portfolio has historically been an even better choice. In the periods after the best S&P 500 outperformance, the cheapest quintile has delivered substantially better returns, both on average and in almost every period.

ADDENDUM: ALL-CLEAR SIGNAL

Our "Warning Signs" piece looked at the aftermath following the 30 three-month periods when the S&P 500 *outperformed* the S&P 500 EW by the widest margin. As a follow-up, a reader asked what happened after the 30 three-month periods when the S&P 500 *underperformed* the S&P 500 EW by the widest margin.

Amazingly, the results were remarkably similar, with significant outperformance of the S&P 500 EW and even greater outperformance for the cheapest quintile.

A GOOD OMEN

The table below chronicles the *worst* three-month periods of the S&P 500 performance relative to the S&P 500 EW. At the top of the list is the period ended in May 2009, which was the first three months after the S&P 500 bottomed exiting the Global Financial Crisis (GFC). The S&P 500 underperformed the S&P 500 EW by 13.8 percentage points.

Moving down the table, we find that the next three periods were from the post-Tech Bubble era, each with over 10 percentage points of S&P 500 underperformance. Like these top four periods, most on this table were either from the post-GFC or post-Tech Bubble eras.

Worst 3-Month Periods for S&P 500 Relative to S&P 500 EW

Rank	Era	End Date	3 Month Relative Return	Next 1 Year Relative Return	Next 3 Year Relative Return	Next 5 Year Relative Return
1	GFC	5/31/09	-13.8%	-11.0%	-10.7%	-31.6%
2	Tech Bubble	12/31/00	-11.9%	-11.5%	-26.6%	-42.5%
3	Tech Bubble	2/28/01	-11.0%	-8.0%	-23.6%	-39.6%
4	Tech Bubble	1/31/01	-10.6%	-11.0%	-25.6%	-42.7%
5	GFC	4/30/09	-9.9%	-12.8%	-15.2%	-35.0%
6	Tech Bubble	11/30/00	-9.9%	-14.5%	-31.4%	-49.5%
7	GFC	6/30/09	-9.2%	-10.6%	-12.7%	-37.4%
8	Tech Bubble	5/31/00	-8.9%	-22.8%	-30.1%	-52.1%
9	Tech Bubble	10/31/00	-7.8%	-15.0%	-31.8%	-48.9%
10	Early 90s	1/31/91	-7.8%	-5.3%	-20.4%	-16.3%
11	Tech Bubble	3/31/01	-7.1%	-9.1%	-23.3%	-40.5%
12	Tech Bubble	9/30/00	-6.9%	-16.2%	-31.4%	-54.6%
13	COVID	11/30/20	-6.8%	+0.6%	+4.7%	N/A
14	Tech Bubble	4/30/01	-6.7%	-10.1%	-19.8%	-37.1%
15	Early 90s	2/29/92	-6.6%	-3.2%	-7.2%	+7.5%
16	Tech Bubble	6/30/99	-6.6%	+10.3%	-22.9%	-41.1%
17	Tech Bubble	6/30/03	-6.4%	-9.7%	-21.7%	-16.3%
18	Early 90s	2/28/91	-6.4%	-6.2%	-18.6%	-13.9%
19	COVID	12/31/20	-6.3%	-0.9%	+2.4%	N/A
20	Tech Bubble	5/31/03	-6.2%	-7.5%	-21.7%	-19.8%
21	Tech Bubble	5/31/99	-6.2%	+6.8%	-25.0%	-39.1%
22	GFC	9/30/09	-6.0%	-5.7%	-3.3%	-16.8%
23	Early 90s	3/31/91	-5.8%	-5.2%	-16.4%	-13.8%
24	Early 90s	3/31/92	-5.7%	-4.0%	-7.5%	+6.2%
25	Tech Bubble	4/30/02	-5.6%	+1.2%	-13.6%	-29.1%
26	COVID	3/31/21	-5.3%	+2.5%	+12.1%	N/A
27	Tech Bubble	1/31/02	-5.1%	-3.1%	-21.4%	-34.5%
28	Tech Bubble	12/31/01	-5.0%	-3.9%	-23.7%	-33.8%
29	Tech Bubble	4/30/99	-5.0%	+8.6%	-27.5%	-39.6%
30	Tech Bubble	7/31/03	-4.9%	-6.8%	-17.0%	-15.2%
Average S&P 500 Relative Performance (cum):				**-6.1%**	**-17.7%**	**-30.6%**

Source: FactSet

As we did for the 30 best periods, the table above also shows the performance of the S&P 500 relative to the S&P 500 EW in the following one-, three- and five-years after the 30 worst periods. Again, notice all the negative relative returns in red in these columns.

A few periods in this table are too recent to have subsequent three- and five-year returns, but for the periods that are old enough, nearly all of them saw continued S&P 500 underperformance. Furthermore, the magnitude of underperformance was nearly as severe as what we observed after the 30 best periods of S&P 500 outperformance. On average, the next three years resulted in 18 percentage points of underperformance, and the next five produced almost 31.

BUT WAIT, THERE'S STILL MORE

As good as the above case is for the S&P 500 EW, it is even better for value stocks. The table below shows the subsequent returns for the S&P 500 relative to the cheapest quintile of the top 1,000 US stocks for the 30 worst periods of the S&P 500 underperforming the S&P 500 EW.

Worst 3-Month Periods for S&P 500 Relative to Cheapest Quintile						
Rank	Era	End Date	3 Month Relative Return	Next 1 Year Relative Return	Next 3 Year Relative Return	Next 5 Year Relative Return
1	GFC	5/31/09	-13.8%	-9.0%	-8.3%	-66.1%
2	Tech Bubble	12/31/00	-11.9%	-31.1%	-72.6%	-138.0%
3	Tech Bubble	2/28/01	-11.0%	-30.8%	-73.3%	-133.4%
4	Tech Bubble	1/31/01	-10.6%	-30.8%	-72.7%	-140.9%
5	GFC	4/30/09	-9.9%	-14.5%	-22.4%	-79.7%
6	Tech Bubble	11/30/00	-9.9%	-35.0%	-85.9%	-159.2%
7	GFC	6/30/09	-9.2%	-11.0%	-10.4%	-76.2%
8	Tech Bubble	5/31/00	-8.9%	-45.8%	-85.1%	-167.2%
9	Tech Bubble	10/31/00	-7.8%	-40.2%	-87.8%	-157.7%
10	Early 90s	1/31/91	-7.8%	-18.0%	-53.9%	-94.6%
11	Tech Bubble	3/31/01	-7.1%	-30.2%	-72.8%	-134.1%
12	Tech Bubble	9/30/00	-6.9%	-43.1%	-85.6%	-169.6%
13	COVID	11/30/20	-6.8%	-8.3%	-21.0%	N/A
14	Tech Bubble	4/30/01	-6.7%	-34.4%	-59.7%	-127.1%
15	Early 90s	2/29/92	-6.6%	-15.3%	-24.0%	-51.8%
16	Tech Bubble	6/30/99	-6.6%	+20.7%	-64.1%	-105.4%
17	Tech Bubble	6/30/03	-6.4%	-13.7%	-57.1%	-54.4%
18	Early 90s	2/28/91	-6.4%	-15.6%	-45.4%	-82.5%
19	COVID	12/31/20	-6.3%	-7.6%	-25.3%	N/A
20	Tech Bubble	5/31/03	-6.2%	-13.3%	-57.0%	-66.8%
21	Tech Bubble	5/31/99	-6.2%	+17.4%	-61.7%	-98.4%
22	GFC	9/30/09	-6.0%	-6.9%	-2.1%	-43.6%
23	Early 90s	3/31/91	-5.8%	-14.1%	-42.5%	-77.7%
24	Early 90s	3/31/92	-5.7%	-17.0%	-21.8%	-49.1%
25	Tech Bubble	4/30/02	-5.6%	-2.3%	-40.8%	-86.9%
26	COVID	3/31/21	-5.3%	-3.4%	-6.9%	N/A
27	Tech Bubble	1/31/02	-5.1%	-15.5%	-60.8%	-105.6%
28	Tech Bubble	12/31/01	-5.0%	-14.9%	-61.5%	-100.9%
29	Tech Bubble	4/30/99	-5.0%	+18.6%	-68.9%	-102.3%
30	Tech Bubble	7/31/03	-4.9%	-14.2%	-51.7%	-48.4%
Average S&P 500 Relative Performance (cum):				**-16.0%**	**-50.1%**	**-100.7%**

Source: FactSet

On average, over the subsequent three years, the cheapest quintile performed 32 percentage points better than the S&P 500 EW, and 50 percentage points better than the S&P 500. Over the subsequent five years, the cheapest quintile performed 70 percentage points better than the S&P 500 EW, and 101 percentage points better than the S&P 500.

HEADS I WIN, TAILS YOU LOSE

How is it possible that the S&P 500 EW outperformed by so much after *both* the best and worst three-month periods?

When the S&P 500 outperformed the S&P 500 EW by the most, those environments were relatively short lived, and lasted only about a year or two before reversing. In some cases, the environment lasted long enough for the S&P 500 to continue to outperform over the following year, but they did not last long enough for it to outperform over the next three and five years.

On the other hand, when the S&P 500 underperformed the S&P 500 EW by the most, it was typically after the end of a period when it had just outperformed the most. In those cases, S&P 500 EW outperformance was long lived, and continued for many years. So, even after a great three-month period, there was still substantial additional outperformance over the next one, three and five years.

CONCLUSION

While significant outperformance of the S&P 500 over the S&P 500 EW has been a warning sign of significant underperformance to come, the opposite has not been true. Significant outperformance of the S&P 500 EW over the S&P 500 has been an all-clear signal that additional outperformance lies ahead (which has also been the prevailing trend over time).

All data is from FactSet.

Past performance is not necessarily indicative of future results.

Index data shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

The S&P 500® Equal Weight Index (EWI) is the equal-weighted version of the widely used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company is allocated a fixed weight – or 0.2% of the index total at each quarterly rebalance.

The Cheapest Quintile represents the 200 stocks within the 1,000 largest U.S. stocks by market capitalization with the lowest next twelve-month price-to-earnings ratio determined as of the beginning of each calendar quarter.