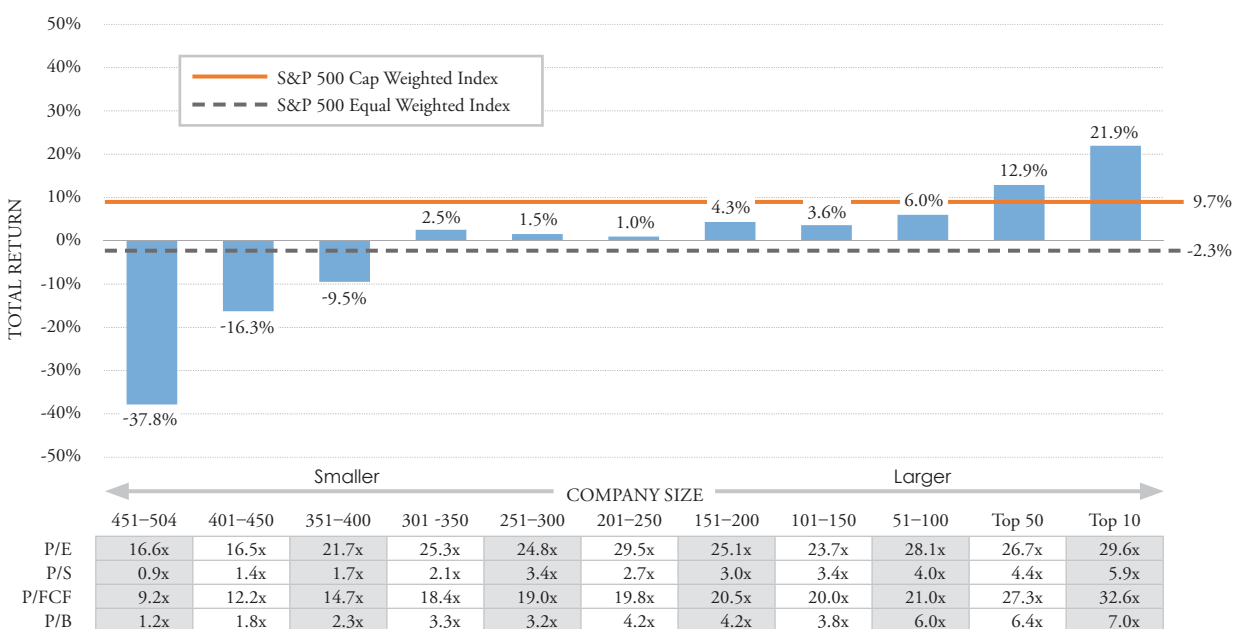


The S&P 500 posted its fifth straight month of gains in August, and at month-end it stood 56% above its lowest closing price in March. However, as has been the case all year, most of the gains can be attributed to the largest capitalization stocks in the index.

The chart below breaks down the S&P 500 Index by size and illustrates that the largest 10 stocks in the index gained a median of 21.9% for the year-to-date, while companies below that size have shown lesser performance. In fact, a significant number of S&P 500 companies have experienced negative returns so far this year. Because of these trends, the concentration of market capitalization within the S&P 500 is increasing. The largest 5 companies in the index by market capitalization (Apple, Microsoft, Amazon, Google and Facebook) account for roughly 25% of the S&P 500 by market capitalization and have roughly the same combined market capitalization as the bottom 375 companies in the index.

**S&P 500 PERFORMANCE BY MARKET CAP, YEAR-TO-DATE 2020<sup>(1)</sup>**



Data as of 8/31/2020.  
<sup>(1)</sup>Median returns from each group.  
Source: FactSet

As the market has advanced this year, concerns have grown about the market valuation becoming stretched, and it is worth pointing out that higher valuations are mostly found in the higher market cap segments. Beyond the largest 10 companies in the S&P 500, the remaining stocks in the index generally trade at more attractive valuations, whether measured by price-to-earnings (P/E), price-to-sales (P/S), price-to-cash flow (P/CF), or price-to-book (P/B) value.

Prior to recent years, the high in capital concentration in the S&P 500 last occurred during the 1999-2000 period. In March of 2000, the five biggest companies in the S&P 500 (Cisco, Microsoft, GE, Intel and Exxon) accounted for just over 18% of the index. These hugely successful and respected companies were among the most widely held stocks by both institutional and individual investors. However, they did not prove to be particularly profitable investments going forward, as illustrated in the table to the right. In fact, as of August 31, 2020, three of the five stocks were actually selling at lower prices than they did in early 2000. We continue to believe that a portfolio that is diversified beyond the small group of recent market leaders provides good investment opportunities going forward.

**WHERE ARE THEY NOW?**  
5 Largest S&P 500 Companies as of 3/31/2000

	Price as of 3/31/2000	Price as of 8/31/2020	% Change
Cisco	\$77.31	\$42.22	-45.4%
Microsoft	\$53.13	\$225.53	324.5%
GE	\$49.86	\$6.34	-87.3%
Intel	\$65.97	\$50.95	-22.8%
Exxon	\$38.97	\$39.94	2.5%
S&P 500	1498	3500	133.6%

Data as of 8/31/2020.  
Source: FactSet

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## DISCLOSURES

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## PERFORMANCE

If Renaissance or benchmark performance is shown, it represents historically achieved results, and is no guarantee of future performance. Future investments may be made under materially different economic conditions, in different securities and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Therefore, there may be sharp differences between the benchmark or Renaissance performance shown and the actual performance results achieved by any particular client. Benchmark results are shown for comparison purposes only. The benchmark presented represents unmanaged portfolios whose characteristics differ from the composite portfolios; however, they tend to represent the investment environment existing during the time periods shown. The benchmark cannot be invested in directly. The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings of the client portfolios in our composites may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected to represent what Renaissance believes is an appropriate benchmark with which to compare the composite performance.

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## REFERENCED INDEX

*(Indices are unmanaged and are not available for direct investment.)*

**S&P 500 Index**—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.