

The outperformance of mega-cap stocks has been one of many extraordinary financial market events this year. This is apparent when looking at the weighting of mega-cap stocks in indices such as the Russell 1000 Index, which has reached all-time levels of concentration in mega-cap issues. The largest 10 stocks in the Russell 1000 Index, while representing only 1% of the 1,000 total stocks in the index, currently account for 27% of the overall capitalization of the index, meaning that the performance of these ten stocks drives the overall index return.

WEIGHT OF LARGEST 10 STOCKS IN THE RUSSELL 1000 INDEX



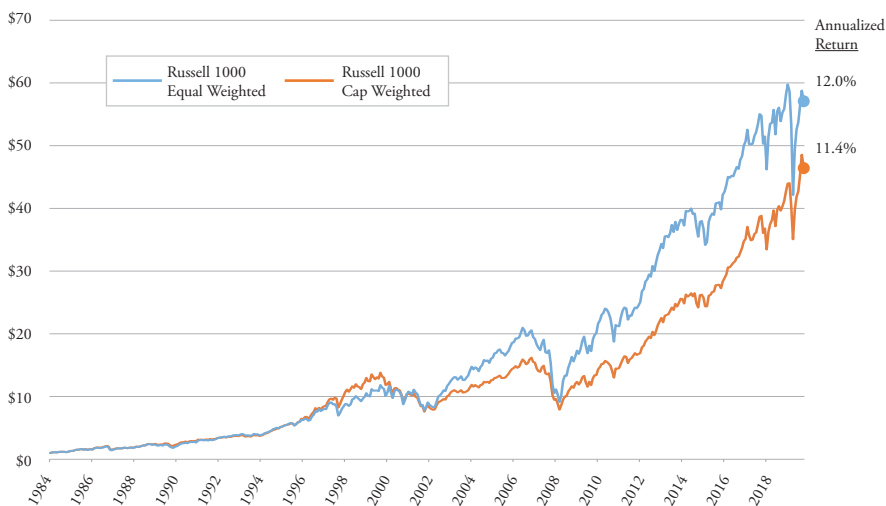
When Top 10 Stocks Are ___% of the Russell 1000 Index	Average Relative Return Russell 1000 Equal Weighted- Russell 1000 Cap Weighted ⁽¹⁾		
	1-Year Forward Returns	3-Year Forward Returns	5-Year Forward Returns
<15%	-3.1%	-1.6%	-2.3%
15-20%	0.2%	0.1%	0.8%
20%+	6.7%	7.1%	5.3%

When Top 10 Stocks Are ___% of the Russell 1000 Index	Percentage of Periods When Russell 1000 Equal Weighted Return Exceeds Russell 1000 Cap Weighted Return ⁽¹⁾		
	1-Year Forward Returns	3-Year Forward Returns	5-Year Forward Returns
<15%	18.8%	10.4%	31.3%
15-20%	45.1%	49.6%	59.6%
20%+	80.0%	100.0%	93.5%

⁽¹⁾ Monthly index weights are determined, and the relative returns are then calculated for the following 1, 3 and 5-year periods. Returns longer than 1-year are based on annualized returns. Data from 12/31/1984-9/30/2020 Sources: FactSet, FTSE Russell

Over time, the Russell 1000 calculated on an equal-weighted basis (in which each stock has the same weight within the index) has outperformed its cap-weighted version. When mega-cap stocks expand as a percentage of the index, as they have been lately, the equal-weighted index tends to lag. Historically, as the concentration of mega-cap stocks in the index has risen, the odds of the equal-weighted index outperforming have improved. We view the currently unprecedented level of concentration in the Russell 1000 as a signal that the equal-weighted index is likely to outperform going forward.

**GROWTH OF A DOLLAR
RUSSELL 1000 EQUAL WEIGHTED INDEX vs CAP WEIGHTED INDEX**



Data from 12/31/1984-9/30/2020 Sources: FactSet, FTSE Russell

Many of the current top 10 stocks in the index are highly successful companies that are owned by a large number of individual and institutional investors. Broad ownership and popularity do not necessarily lead to

good investment returns, however. The last peak in index concentration occurred in the early 2000s when the largest 10 stocks, also highly respected

and successful companies, represented 24% of the index. Over the next 20+ years, seven of the ten posted negative returns over the period, while three

others posted positive returns, but well below the performance of the index itself. Only Microsoft outperformed the index (and Microsoft did not exceed its 2000 high price until 2015). On average, the ten largest stocks far underperformed the overall index and the S&P 500.

We continue to emphasize a diversified approach toward investing in high quality and reasonably priced companies across a variety of sectors and industries. While further challenges await investors over the next several quarters, we believe that a disciplined and diversified approach toward stock selection will continue to deliver good long-term returns.

WHERE ARE THEY NOW?

10 LARGEST RUSSELL 1000 COMPANIES AS OF 3/31/2000

	Price as of 3/31/2000	Price as of 9/30/2020	% Change
Cisco Systems	\$77.31	\$39.39	-49.1%
General Electric	\$51.88	\$6.23	-88.0%
Intel	\$65.97	\$51.78	-21.5%
Microsoft	\$53.13	\$210.33	295.9%
Exxon Mobil	\$38.97	\$34.33	-11.9%
IBM	\$118.00	\$121.67	3.1%
Citigroup	\$449.06	\$43.11	-90.4%
Lucent Technologies	\$61.25	\$2.34 ⁽¹⁾	-96.2%
AT&T	\$42.13	\$28.51	-32.3%
Oracle	\$39.03	\$59.70	53.0%
Russell 1000	1536.33	3699.93	134.3%
S&P 500	1498.58	3363.00	124.4%

⁽¹⁾ Lucent merged with Alcatel on 11/30/2006. Closing price on 11/29/2006 was \$2.34
Data as of 9/30/2020.
Source: FactSet

DISCLOSURES

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REFERENCED INDICES

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

Russell 1000 Index— The Russell 1000® Index is a market capitalization-weighted index of the approximately 1,000 largest companies in the U.S. equity market.

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.