Renaissance
Investment Management

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Market Update

A Narrow Stock Market So Far

Stocks are off to a positive start thus far in 2023, but the leadership of the market advance has been notably narrow. The Russell 1000 Index posted a price gain of 7.0% for the first quarter, yet the ten largest stocks in the index (equal to 1% of total stocks in the index) accounted for over 70% of the overall price gain, due in part to their 22.8% weighting in the market-cap weighted index. Of course, these same ten stocks dropped an average of 3.4% during last year's fourth quarter, a quarter where the overall index gained 7.2%.

Narrow Stock Market Leadership
Ten Largest Stocks in the Russell 1000 Index as of 3/31/2023

	Ending Weight as of 12/31/2022	Ending Weight as of 3/31/2023	Price change 12/31/2022–3/31/2023	Contribution to Return Through 3/31/2023[1]
Apple	5.5%	6.0%	26.9%	1.48%
Microsoft	5.1%	5.1%	20.2%	1.02%
Amazon.com	2.1%	2.3%	23.0%	0.48%
Alphabet	1.5%	1.5%	17.6%	0.26%
NVIDIA	1.0%	1.5%	90.1%	0.89%
Berkshire Hathaway	1.6%	1.5%	0.0%	0.00%
Tesla	0.9%	1.4%	68.4%	0.61%
Meta Platforms	0.8%	1.1%	76.1%	0.58%
UnitedHealth Group	1.4%	1.2%	-10.9%	-0.15%
Exxon Mobil	1.3%	1.2%	-0.6%	-0.01%
Totals	21.1%	22.8%		5.18%
Rest of the Index		77.2%		1.82%

Data as of 3/31/2023
[1] The contribution calculation takes the daily beginning weights x the daily returns which are then linked for the specific period.
Source: FactSet

The impact of mega-cap stocks on the performance on the S&P 500 Index in the first quarter was just as significant. Since 1990, Standard & Poor's has calculated equal-weighted performance figures for the S&P 500 alongside their more widely known capitalization-weighted returns. In the first quarter of 2023, the equal-weighted S&P 500 posted a total return of +2.9%, 4.6% below that of the cap-weighted S&P 500. This ranked in the lowest 4% in terms of relative performance by the equal-weighted S&P index over a 3-month period since 1990. Nevertheless, the equal-weighted index has outperformed the cap-weighted version by an average of 1.5% over all rolling 12-month periods since 1990 and tends to perform even more favorably following periods of negative relative performance.

Illustrating this point, the table below summarizes the equal-weighted versus the cap-weighted returns of the S&P 500. While the equal-weighted index, on average, outperformed over all rolling 12-month periods, after a 3-month period of negative relative returns it has tended to perform better. In fact, after a 3-month period of underperformance of 4% or more (as we saw in the first quarter of this year), the equal-weighted index outperformed by 7.1% on average over the following 12 months.

S&P 500 Equal-Weighted vs Cap Weighted Returns, 1/1/1990 through 3/31/2023

Average 12-Month Difference Equal Weighted vs Cap Weighted	Average 12-Month Difference After a 3-Month Difference of . . .		
	-2% or more	-3% or more	-4% or more[1]
1.5%	3.0%	4.9%	7.1%

[1] The 3-month difference through 3/31/2023 was -4.6%.
Source: S&P Dow Jones

We continue to believe that investors who are willing to hold diversified portfolios will likely be rewarded with more favorable returns over the long term than those with portfolios that are heavily overweighted with mega-cap stocks.

The Disclosures Section on the following page is an integral part of this presentation.

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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.

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