

Beyond the Headlines: Finding Opportunity Amid Elevated Market Valuations

As the stock markets posted new all-time highs toward the end of August investor attention has focused on the elevated levels of valuation for some market indices. The table to the right illustrates the valuation of the S&P 500 based on various valuation measures, compared to each of their trailing ten-year averages. Valuations as of the end of August were at remarkably elevated levels compared to their recent history.

CURRENT VALUATIONS VERSUS 10-YEAR AVERAGE

	S&P 500		
	Current	10-Year Average	Difference
P/E	27.0x	22.0x	23%
P/BV	5.3x	3.8x	39%
P/CF	23.2x	15.0x	55%
P/S	3.2x	2.4x	33%

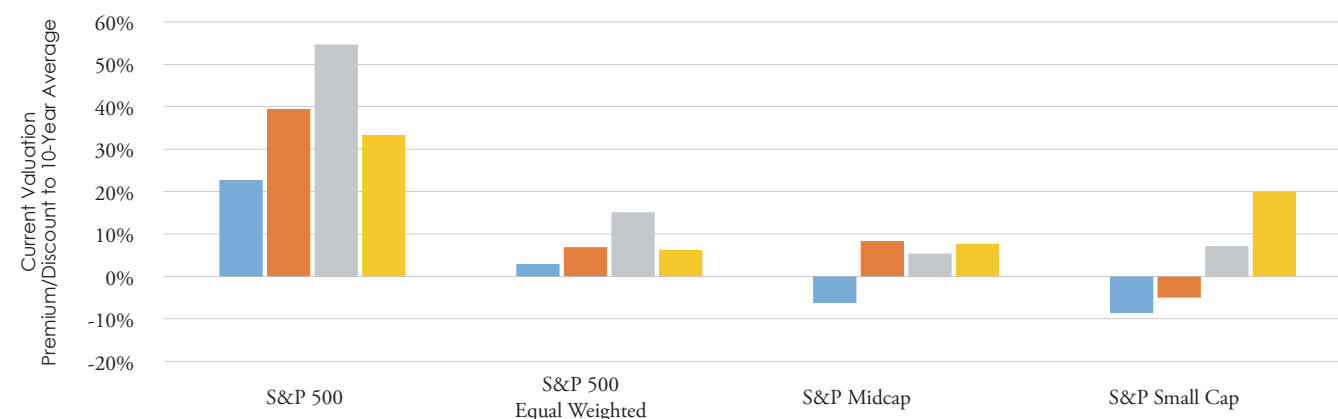
Data ending 8/31/2025
Source: Bloomberg

However, metrics for the S&P 500 are significantly affected by the high valuations of many mega-cap stocks, which account for an unprecedented percentage of the cap-weighted S&P 500 Index. The largest ten stocks in the S&P 500 account for 39% of the weight of the entire index, the highest figure in history.

While higher than their ten-year averages, current valuations of the Equal-Weighted S&P 500 (in which stocks are equal-weighted rather than weighted by size) are much closer to historical norms. Moving away from the S&P 500 and looking at the S&P Midcap and Small Cap indices, the data suggests that their valuations are quite comparable to historical averages.

Concerns about market valuation should not be completely disregarded, but it is important to look beyond the headline valuation data for popular indices. A focus on a more equal-weighted portfolio approach and, possibly, consideration of mid-cap and small-cap opportunities is one way to address the relatively high valuation metrics of the cap-weighted S&P 500.

CURRENT VALUATIONS VERSUS 10-YEAR AVERAGE



Current Valuation Premium/Discount to 10-Year Average				
P/E	23% premium	3% premium	6% discount	9% discount
P/BV	39% premium	7% premium	8% premium	5% discount
P/CF	55% premium	15% premium	5% premium	7% premium
P/S	33% premium	6% premium	8% premium	20% premium

Data ending 8/31/2025
Source: Bloomberg

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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.

S&P Midcap Index—The S&P Midcap Index (S&P Midcap 400) tracks the stock performance of approximately 400 mid-sized publicly traded companies in the United States.

S&P Small Cap Index—The S&P Small Cap Index (S&P 600) tracks the stock performance of approximately 600 smaller sized publicly traded companies in the United States.

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