



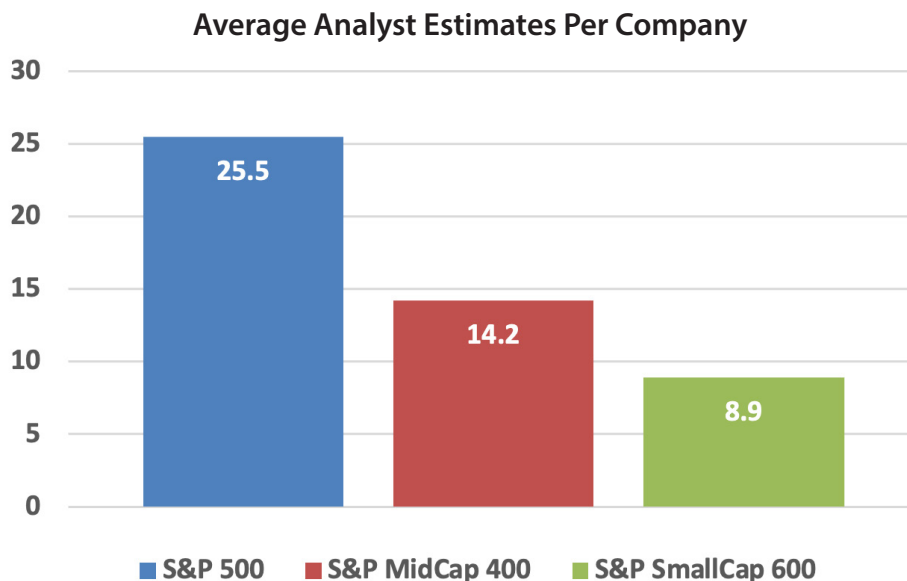
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The S&P 500 Isn't Telling the Whole Story

- ▶ **The headline index can mask a very different market underneath.** The average S&P 500 stock is already 19% below its 52-week high, and 49% of constituents trade below their 200-day moving average. In other words, meaningful stress and repricing have already occurred beneath an index that remains near record levels.
- ▶ **The index is not the market.** Because the S&P 500 is market-cap weighted, strength in its largest companies can obscure weakness across a much broader group of stocks. Investors who look only at the headline index may miss how much dispersion already exists across U.S. equities.
- ▶ **Dispersion can create opportunities for active managers.** Stocks that have already repriced may offer very different starting valuations, expectations and earnings drivers than the companies dominating the index. That does not make every laggard attractive, but it expands the opportunity set for fundamental stock selection.
- ▶ **Moving down-cap also means moving into a less heavily researched market.** The average S&P 500 company is covered by 25.5 analysts, compared with 14.2 for the S&P MidCap 400 and just 8.9 for the S&P SmallCap 600. Fewer eyes may create more room for differentiated research and security selection.
- ▶ **For investors who already own inexpensive large-cap passive exposure, the question may be what they are missing.** Mid- and small-cap strategies can complement the S&P 500 by providing exposure to companies, sector dynamics and earnings drivers that are less represented in the index, along with a less crowded research landscape.

Stress Beneath the Index

- ▶ **-19%:** Average S&P 500 stock from its 52-week high
- ▶ **49%:** S&P 500 stocks below their 200-day moving average
- ▶ **2.9x:** More analyst coverage for the average S&P 500 company than the average SmallCap 600 company



Source: Bloomberg as of October 20, 2026.

The Takeaway

The opportunity may not be in owning more of what is already driving the index. It may be in looking where the index isn't.



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