

Look, too many times we hear people comparing their returns to indexes, which has to beg the question, do we put too much emphasis on stock indexes? In our opinion, absolutely we do. The index is market cap weighted. What this means is that the larger the company, the more influence it has on the index. If we're looking at the first quarter of 2023, these seven companies that are highlighted right here account for 50% of the NASDAQ 100 returns. To us, this is outrageous, right? This outsized influence of these seven companies can clearly mask general market woes that may be affecting the broader economy and vice versa. Now, to further elaborate this point, let's go ahead and take a look at the entire S&P 500. Now, inside the S&P 500, there are 11 sectors, but as you can see, not all 11 sectors are represented equally.

In fact, information technology represents 26.1% of the entire S&P 500. Healthcare is at 14.5, financials is a 12.9, and we continue to work ourselves down the list. What's funny about this list is that Nvidia represents 2% of the S&P 500. Well, if you look all the way down here, that is almost equal to the entire real estate representation inside of the S&P 500. Again, the larger the company, the larger the influence, and it begs the question, is it fair to be comparing portfolio returns to the indexes? As always, feel free to give us a call and we'd be happy to further discuss. We will go ahead and attach a link to this PDF, as well. All the best.