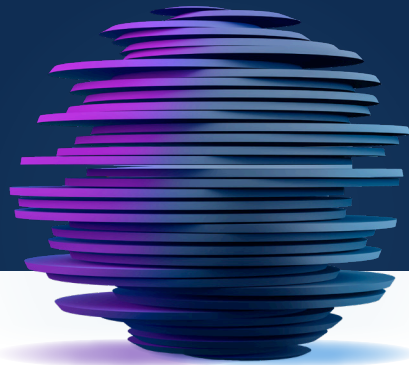


Building better balance



Narrow market concerns?

For more than a year, a handful of mega-cap technology companies have dominated the market narrative.

That’s starting to change, thanks to an emerging set of possible portfolio diversification opportunities across a range of different sectors, market caps, and geographies.

“Despite what the headlines might lead you to believe, there’s a lot more that’s working in this market beyond just the mega-caps at the top,” said Matt Orton, CFA,

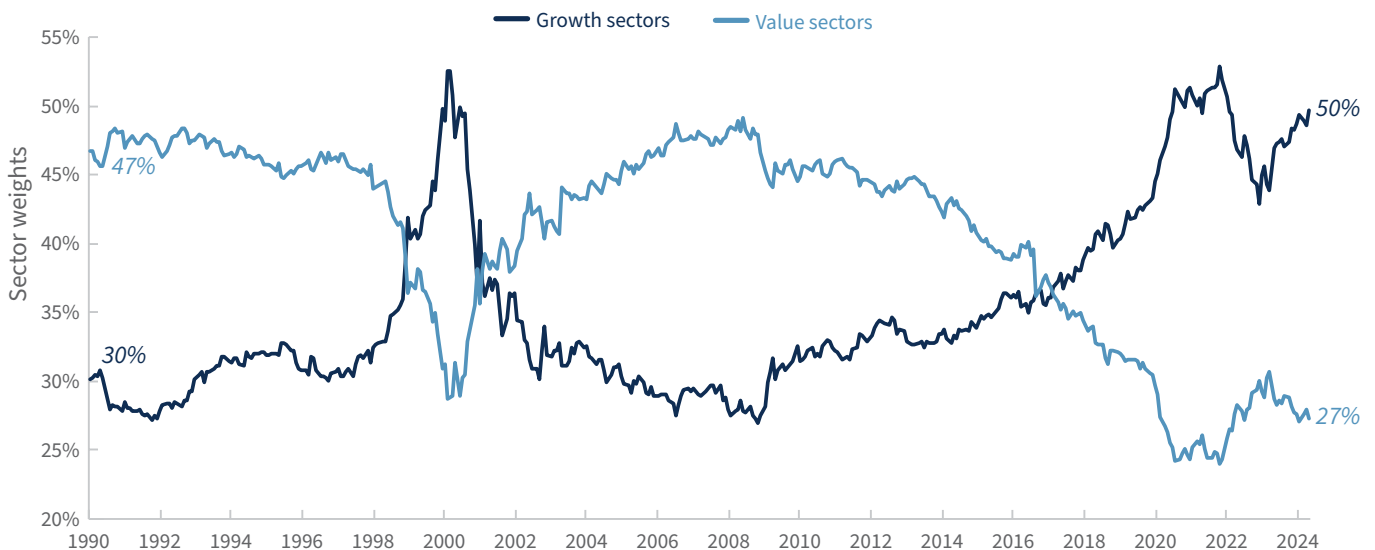
Chief Market Strategist at Raymond James Investment Management.

But, the doubters are saying, the market is so narrow.

The S&P 500 Index is undeniably concentrated at the top, but Orton noted that the growth of the index’s largest companies has been supported by strong fundamentals and the fact that the U.S. economy itself has become more growth-oriented than it was decades ago.

Not your father’s index

The S&P 500 has a vastly different composition than it did in the 1990s



Source: Bloomberg, as of 5/31/24. Growth sectors are information technology, communications services, and consumer discretionary. Value sectors are financials, consumer staples, energy, and materials.

¹ Unless otherwise indicated, all data cited is sourced from Bloomberg as of May 31, 2024.

“We can complain about the dominance of these mega-cap names, and a few in particular, but we need to recognize that this is in fact a bull market,” Orton said. “There are still a lot of good things happening beneath the surface, and that’s where I think we’re going to see some of the best opportunities emerge for the later part of this year.”

“Just because we are in a narrow market is no excuse for not thinking about leaning into some of the overlooked themes,” he said. “Conversely, and faced with recent weakness in the space, the long-term theses across the mega-cap and artificial intelligence complex remain intact and should not be ignored. Striking a balance will be critical to long-term success.”

2024 MID-YEAR OUTLOOK



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Diversification does not ensure a profit or guarantee against loss.

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Investing in small- and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small- and mid-cap company stocks may be subject to more volatility than those of large company stocks.

International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards, and potential political and economic instability. These risks are further accentuated in emerging market countries where risks can also include possible economic dependency on revenues from particular commodities or on international aid or development assistance, currency transfer restrictions, and liquidity risks related to lower trading volumes.

Definitions

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Market capitalization, or market cap, refers to the total dollar market value of a company's outstanding shares of stock.

Mega-cap stocks are the largest publicly traded companies as measured by market capitalization. Generally, this refers to companies with market capitalizations over \$200 billion.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

Index

The S&P 500 Index measures change in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. The S&P 500 represents approximately 80% of the investable U.S. equity market.