The S&P 500 is widely regarded as the best single gauge of U.S. large-cap equities. The index includes 500 leading companies spanning all sectors of the U.S. stock market. It covers approximately 80% of the U.S. equity market capitalization and over 50% of the global equity market.
Hard to Beat

Most Active U.S. Large-Cap Equity Funds Underperform the S&P 500

Since the first publication of the S&P Indices Versus Active Funds (SPIVA®) U.S. Scorecard in 2002, S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate, reporting on the results semiannually.

Most large-cap active managers underperformed the S&P 500 (the 500™) for the 14th consecutive year in a row. 60% of active large-cap funds underperformed the 500 in 2023.

Active equity funds performance versus the benchmark has historically worsened over longer time horizons, highlighting the difficulty of outperforming consistently.

Over a 20-year period ending on Dec. 31, 2023, 93% of U.S. Large-Cap funds underperformed the 500.

Percentage of Active Domestic U.S. Large-Cap Equity Funds Underperforming the S&P 500

By Calendar Year (Based on Absolute Returns)

<table>
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<tbody>
<tr>
<td>%</td>
<td>65</td>
<td>68</td>
<td>75</td>
<td>69</td>
<td>49</td>
<td>68</td>
<td>45</td>
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<td>48</td>
<td>66</td>
<td>82</td>
<td>63</td>
<td>55</td>
<td>87</td>
<td>65</td>
<td>66</td>
<td>63</td>
<td>64</td>
<td>71</td>
<td>60</td>
<td>85</td>
<td>51</td>
</tr>
</tbody>
</table>

Past Performance Is No Guarantee of Future Results

As a companion to our SPIVA scorecards, S&P DJI publishes the Persistence Scorecard, which looks at whether top active managers can retain their position relative to their peers.

The chart below investigates the track record of 164 top quartile, actively managed large-cap funds as of December 2021. The persistence of these funds was much worse than random. Two years later, not a single fund managed to remain in the top quartile consecutively.

Manager Outperformance is Fleeting

Cumulative Chance of Picking a Heart in a Deck of Cards  Active Funds That Stay in the Top Quartile

<table>
<thead>
<tr>
<th>Remaining in Quartile (%)</th>
<th>December 2022</th>
<th>December 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>20.12</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.25</td>
<td></td>
</tr>
</tbody>
</table>

Source: S&P Dow Jones Indices LLC, CRSP. Data as of Dec. 31, 2023. From “U.S. Persistence Scorecard”, figures are taken from Report 1a: Performance Persistence of Domestic Equity Funds over Three Consecutive 12-Month Periods. Performance Persistence of Top-Quartile Domestic Equity Funds over Three Consecutive 12-Month Periods. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. For the blue bar illustration, in a full deck of 52 cards, there are typically four suits, hearts, clubs, diamonds and spades. Any suit has a 13/52 or 1/4 probability of being picked. The odds of a top-quartile fund randomly staying in the top quartile over the next two years are 25% * 25% = 6.25%, or 1/16.
Relevance of the S&P 500

The 500 represents approximately 50% of the global equity market capitalization.

Many of the largest exchange-traded funds (ETFs) and mutual funds in the world track the 500. The index supports a large and robust trading ecosystem that includes index futures and options.

With more than 65 years of live index history, the 500 has a long and proud history. Investors analyze the 500's returns and constituents to understand how the U.S. equity market has evolved and reacted to a wide range of historical events.

Constructing the S&P 500

The 500 is designed to measure the performance of index-eligible stocks listed on selected U.S. exchanges. It is weighted by float-adjusted market capitalization and includes liquidity and tradability criteria in the constituent selection process.

* S&P Composite 1500® market-cap guidelines are reviewed by the Index Committee on an as needed basis. For further information and the complete details on the eligibility criteria please see the U.S. Index Methodology and to learn about the governance process of S&P DJI please visit: https://www.spglobal.com/spdji/en/governance/.
S&P 500 Trading Ecosystem

The 500 is at the center of a large trading “ecosystem” spanning different product types and related indices. Trading in the 500 supports a network of different product types (LHS chart; futures, options and ETF options) and exposures (RHS chart; sectors, VIX®-based strategies and factors). The ecosystem of products directly linked to the 500 generated USD 224 trillion in index equivalent trading volume in 2023, which is broken down in the graphic below. Our research shows that users of index-based products may wish to consider the volumes associated to an index as an important factor in choosing a product, due to historically higher liquidity supporting tighter spreads in products and a closer tracking to the benchmark.

1-Year Index Equivalent Trading Volumes in USD Billions

Options 88,668
Futures 102,244
Sectors 3,499
VIX 1,250
ETF Options 20,937
Products Directly Linked to the S&P 500
Futures 102,244
Options 88,668
ETP Options 20,937
Products Derived from the S&P 500
VIX 1,250
Factors 242
Unleverage ETPs 10,152
Leveraged ETPs 1,837
Sectors 3,499
Sustainability 85
Dividends 37

Sources: S&P Dow Jones Indices LLC, Futures Industry Association (FIA), Bloomberg, Options Clearing Corporation (OCC), Cboe. Data as of Dec. 31, 2023, unless otherwise stated. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. For options, a delta adjustment is applied, which is a monthly volumes-weighted average delta provided by Cboe. Updated from "A Window on Index Liquidity," S&P Dow Jones Indices (August 2019). For further details see "Mapping the S&P 500 Trading Ecosystem". Figures in billions of U.S. dollars of index equivalent trading volumes. Data sources and groupings have changed since the original publication of the paper.
Index Characteristics of the S&P 500

Bull and Bear Markets of the S&P 500

Over its live history, the S&P 500 experienced 12 bear markets that captured periods of pessimism, while the intervening recoveries reflected improved outlooks. On average, it took approximately 13 months to recover, accompanied by an average peak-to-trough performance of -33%.

On the upside, bull markets lasted an average of ~five years with a performance of ~160%. Overall, the index has posted an annualized price return of around 7% since it launched on March 4, 1957, and an estimated 10% total return over the same period.

Composition of the S&P 500

The Barometer of Large-Cap U.S. Equity Stock and Sector Trends

The S&P 500 represents the large-cap segment of the U.S. equity market. The index is float-market-cap weighted, which means that index weights reflect aggregate investor expectations.

Looking at the changes in the largest five stocks over time and the index’s GICS sector weights shows how the index composition has evolved to reflect the increased importance of Information Technology companies and the reduction in Industrials and Energy companies.


<table>
<thead>
<tr>
<th>Year</th>
<th>Stock 1</th>
<th>Stock 2</th>
<th>Stock 3</th>
<th>Stock 4</th>
<th>Stock 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>General Electric</td>
<td>Exxon Mobil Corp.</td>
<td>AT&amp;T Corp.</td>
<td>Coca Cola Co.</td>
<td>Wal-Mart Stores</td>
</tr>
<tr>
<td>2023</td>
<td>Apple Inc.</td>
<td>Microsoft Corp.</td>
<td>Amazon.com Inc.</td>
<td>Nvidia Corp.</td>
<td>Alphabet Inc. A</td>
</tr>
</tbody>
</table>

S&P 500 GICS Sector Weights

Source: S&P Dow Jones Indices LLC. Data as of Dec. 29, 2023. Stock names are point in time and not revised to show the most recent names. Stock and sector weights are based on year-end index composition in 1993, 2003, 2013, and 2023. The Global Industry Classification Standard (GICS) was developed in 1999, with back-tested history going back to September 1989. Real Estate became a standalone sector in September 2016. Telecommunication Services was renamed Communication Services in September 2018. Past performance is no guarantee of future results. Past performance is no guarantee of future results. Table and chart are provided for illustrative purposes.
Index Series Based on the S&P 500

The S&P 500 Provides a Baseline for Several Flagship Indices


The S&P 900 (LargeMid) and S&P 1000 (MidSmall) are combinations of our U.S. size segments.

The S&P 500 sector indices follow the Global Industry Classification Standard (GICS) which is a four-tiered industry classification where companies are classified by their principal business activity.

The S&P 500 serves as the basis for the Select Sector™ and S&P 500 Equal Weight Sectors, as well as a variety of capped variants.

The S&P 500 Equal Weight Index gives each company in the S&P 500 the same weight at each rebalance.

The S&P 500 Equal Weight Futures Index is constructed from the front-quarter E-mini futures contract on equal-weight S&P 500.

The S&P 500 single- and multi-factor indices track well-known factors including size, momentum, quality, low volatility and dividends.

Volatility – “The Fear Index”: The Cboe Volatility Index (VIX) gives market participants real-time insight into investor sentiment and expected levels of market volatility.

Dispersion – “The Opportunity Index”: The Cboe S&P 500 Dispersion Index (DSPX) can be described as a “VIX for dispersion” and measures how differently stocks are performing or are expected to perform.

The full suite of equity indices based on the S&P 500 is available at www.spglobal.com/spdji.
A Brief History of the S&P 500
65+ Years of Market Leadership

1923
Standard Statistics Company (now S&P Global) calculates the S&P Composite Index
Updated weekly, cap-weighted index of 233 companies, covering 26 industries

1926
S&P 90: Cap-weighted index of 90 companies
Updated daily

1957
S&P 500 replaces 90 stock composite
Trading begins at 44.22

1973
One of the first institutional indexed funds
Wells Fargo Stagecoach Fund (based on S&P 500)

1976
First major retail indexed fund
Based on the S&P 500

1982
First listed index future
S&P 500 futures on CME

1983
Longest-running listed index options:
Options listed on Cboe
March 11 | S&P 100
July 1 | S&P 500

1986
Intraday frequency went from 1m to once every 15s
The current frequency is one second

1993
First U.S.-listed exchange traded fund
Based on the S&P 500

1999
GICS introduced
In collaboration with MSCI

2003
World’s first S&P 500 equal weight ETF
Based on the S&P 500 Equal Weight Index

2004
First volatility derivatives
VIX futures on Cboe

Source: S&P Dow Jones Indices LLC. Table is provided for illustrative purposes. Please see https://www.spglobal.com/spdji/en/index-linked-products/ for further details. Please note S&P Dow Jones Indices does not sponsor, endorse, sell, or promote any product based on an S&P Dow Jones Indices index nor does it make any representation regarding the advisability of investing in any products.

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