

Frequently Asked Questions

S&P 500[®] Equal Weight Index

- 1. What is the S&P 500 Equal Weight Index and how is it constructed?** The S&P 500 Equal Weight Index is the equal-weight version of the widely-used S&P 500, in which each constituent company is given the same weight (approximately 0.2% each), rather than weighting by market capitalization. This approach was introduced in 2003 in order to provide a balanced measure of the U.S. large-cap equity market. The index is rebalanced quarterly to reset all constituents back to equal weights, which prevents the largest stocks from dominating over time and allows the index to reflect potential mean-reversion in valuations. By equally distributing weight across all constituents, the S&P 500 Equal Weight Index offers a different lens on market performance than the traditional cap-weighted S&P 500.ⁱ
- 2. How often is the S&P 500 Equal Weight Index rebalanced?** The S&P 500 Equal Weight Index is rebalanced on a quarterly schedule (four times a year). Each quarter, the index methodology calls for resetting every constituent back to equal weight (approximately 0.2% of the index each) after the market close on the rebalancing date. This regular maintenance preserves the index's equal-weight principle over time, as market movements will otherwise cause weights to drift. This discipline not only keeps the index balanced but also allows it to systematically reflect mean-reversion opportunities—tilting away from recent outperformers and tilting toward recent underperformers at predetermined intervals. S&P DJI's rules-based approach makes these adjustments mechanical and transparent. The ETF or index fund handles the quarterly rebalancing, mirroring the index's updated constituent weights.ⁱ
- 3. What are the potential benefits of an equal-weighted approach?** An equal-weight approach may offer enhanced diversification and a reduction in concentration risk. The S&P 500 Equal Weight Index may help to inform hedging strategies in environments where market leadership is very narrow or a few big stocks are at risk of underperforming. Additionally, equal weighting naturally tilts toward smaller-cap and value stocks relative to the benchmark S&P 500. These tilts have historically been associated with risk premia that can potentially boost long-term performance. The result is a strategy that has offered broad diversification, long-term historical outperformance and reduced single-stock risk.ⁱ

- 4. Has the S&P 500 Equal Weight Index outperformed the S&P 500 historically?** Yes, over more than two decades of live history, the equal-weight version of the index delivered higher total returns than the S&P 500. This outperformance holds true not only in the live period since its 2003 launch, but also in back-tests extending back to the 1970s. This track record highlights the potential value added by equal weighting, though the performance gap can vary over different timeframes and market conditions.ⁱⁱ
- 5. What has driven the S&P 500 Equal Weight Index's outperformance relative to the cap-weighted index?** The S&P 500 Equal Weight Index's edge has been primarily driven by its tilt toward smaller-cap companies and certain factor tilts. Having greater weight in the S&P 500's smaller constituents (and less in the very largest names) has accounted for over 50% of the S&P 500 Equal Weight Index's excess return historically. Moreover, the S&P 500 Equal Weight Index exhibits inherent factor tilts: it tends to lean toward value stocks and against momentum. By rebalancing quarterly, the index systematically tilts away from stocks that have risen the most and tilts toward those that have fallen behind, imparting an anti-momentum or contrarian bias. This has contributed to outperformance: for example, the S&P 500 Equal Weight Index's value and anti-momentum tilts helped it beat the S&P 500 by about 7% in 2022 (a year when many large growth stocks struggled). The index's sector weights can also differ from the cap-weighted index, further affecting performance. In fact, S&P Dow Jones Indices analysis indicates that equal weighting within each sector (not just across the whole index) has been a key source of its long-term outperformance. Together, these effects—smaller size bias, value orientation, anti-momentum bias and broader sector diversification—explain why the S&P 500 Equal Weight Index has often outperformed relative to the traditional S&P 500.^{iii, iv}
- 6. How does equal weighting help manage concentration risk, both overall and within sectors?** Equal weighting can mitigate concentration risk by ensuring no single stock (or small group of stocks) dominates the index. The S&P 500 Equal Weight Index spreads its weight evenly, so even the biggest companies are held to the same 0.2% weight as the smallest. This approach greatly reduces the index's exposure to mega-cap stocks, offering a form of diversification in case market leadership shifts. Historically, after periods of extreme concentration in the market, equal-weight strategies have tended to shine. For example, following the early-2000s tech bubble (when a handful of tech stocks had become overvalued and then collapsed), the S&P 500 Equal Weight Index outperformed the S&P 500 in the aftermath. This is because concentration often mean reverts: when one segment of the market has become too dominant, subsequent corrections often see previously underrepresented stocks catching up. S&P DJI research shows that this mean reversion holds true within many sectors as well; sectors that become very top-heavy eventually see leadership broaden out, benefiting an equal-weighted approach within each sector. In short, equal weighting

naturally curtails concentration risk at both the index and sector level, which can lead to more stable and balanced performance when the market's winners rotate.^{i, iv}

- 7. How has the S&P 500 Equal Weight Index performed in challenging or volatile markets historically?** Equal-weight indexing has often demonstrated relative resilience during market downturns and volatile periods. By design, the S&P 500 Equal Weight Index regularly tilts away from stocks that have run up and tilts toward those that have pulled back. This anti-momentum mechanism means the index rebalances away from relatively stronger performers and toward weaker performers, which can cushion the impact of sharp reversals. Historically, the S&P 500 Equal Weight Index's tilt toward smaller and value stocks, combined with distinct sector weights, has provided a boost during recoveries and market corrections. Reduced concentration in the largest names has led to more resilient performance in periods of turmoil. A recent example was 2022's bear market: the S&P 500 Equal Weight Index handily outperformed the standard S&P 500 (by roughly 7 percentage points for the year) as the previously high-flying mega caps lost value. In that difficult market, the equal-weight approach benefited from heavier weights in sectors like Energy and underweights in Tech names. While every downturn is different, the S&P 500 Equal Weight Index's broad diversification and periodic rebalancing have historically made it less susceptible to the steep losses that occur when the market's former leaders sharply decline.^{i, iii}
- 8. How deep is the S&P 500 Equal Weight Index liquidity ecosystem?** Over the past several years, a robust liquidity ecosystem has developed around the S&P 500 Equal Weight Index, making it readily accessible to both institutional and retail investors. There are multiple index-linked investment products, most notably a number of exchange-traded funds (ETFs) that track the index. In fact, investor interest in the strategy has grown substantially: global ETF assets tracking the S&P 500 Equal Weight Index reached approximately USD 95 billion in 2025. This sizable AUM reflects broad adoption of equal-weight investing. Moreover, the introduction of exchange-traded derivatives (ETDs) on the index (such as futures or options contracts) has further deepened liquidity and flexibility for investors. S&P DJI research shows that equal weighting can contribute to market liquidity by not concentrating capital in just the top names. For institutional investors, this means the strategy is feasible at scale, with an ecosystem of ETFs and derivatives to support large allocations.ⁱ
- 9. How does the S&P 500 Equal Weight Index's performance compare to that of active fund managers?** Many active funds tend to be closer to equal weighting than to cap weighting in their portfolio construction. Either by choice or due to diversification guidelines, they might often avoid letting a few giant stocks dominate their portfolios. On average, the more the S&P 500 Equal Weight Index historically outperformed the S&P 500, the more actively managed funds outperformed the S&P 500. Despite sharing a similar pattern of excess returns, the S&P 500 Equal Weight Index has proven to be a

high hurdle for active U.S. equity managers to beat. With over 20 years of data, the index's track record shows that very few large-cap active funds have managed to match or exceed its performance over the long term. For institutional investors and advisors, this suggests that a passive approach guided by this index can provide a viable alternative to actively managed U.S. equity mutual funds.^{v, iii}

Sources:

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