

ROBERTSON STEPHENS WEALTH MANAGEMENT

Investment Office Insights

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S&P 500 Concentration Considerations*

Biggest 5 Stocks Return 49% YoY, Rest Deliver 0%

Over the past 12 months, the largest 5 companies (AAPL, MSFT, AMZN, GOOGL, FB) returned 49% while the rest of the S&P 500 is essentially flat. Investors may assume that outsized returns are driven by speculative flows, while the data shows that roughly three-quarters of outperformance is the result of stronger earnings.

Today's Top 5 – Superior in Almost Every Way

Given the incredible disparity in performance between today's haves and have-nots, the recent returns are understandable and defensible. The conclusion seems quite clear, today's larger names are superior on almost every financial metric including revenue and profit growth, margin structure, volatility, and corporate leverage. As such, we wouldn't be surprised to see the performance gap widen even further.

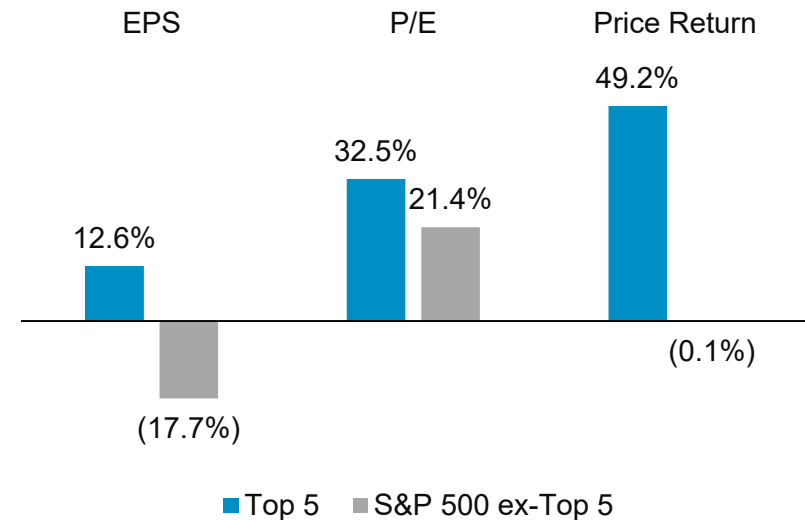
Largest Stocks More Attractive than in 2000*

The Top 5 largest companies in March 2000 were MSFT, CSCO, GE, INTC, and XOM. While today's names constitute 22% of the market (versus 18% in the Internet bubble period), they trade at much lower PE and PEG ratios.

Selective Q2 Observations

- **Apple:** Delivered double-digit revenue and EPS beat on broad-based strength across all categories. AAPL announced a 4-1 stock split.
- **Amazon:** Despite a pickup in costs, AMZN surpassed estimates on stronger online sales. Q3 guidance came in above consensus sell side forecasts.
- **Alphabet:** Topped projections on costs reductions and higher than expected cloud and YouTube advertising revenues.
- **Facebook:** Exceeded forecasts on a pickup in active users across all its platforms and higher advertising revenues.
- **Microsoft:** Reported better-than-expected fiscal fourth quarter earnings that exceeded analysts' expectations, although quarterly revenue guidance was lighter than expected.

YoY Contribution of EPS and P/E to Returns*

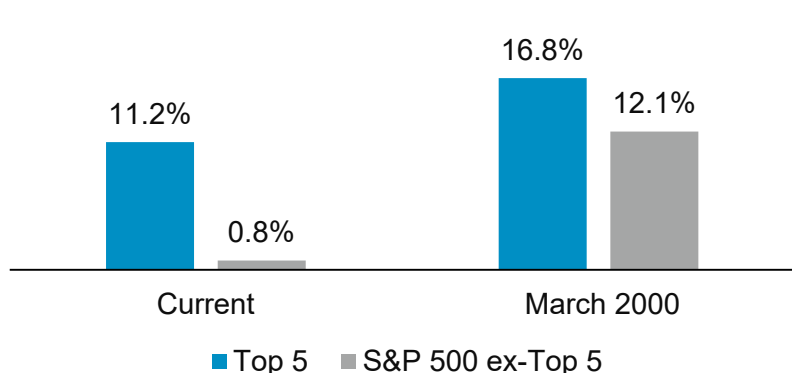


*Source: Bloomberg

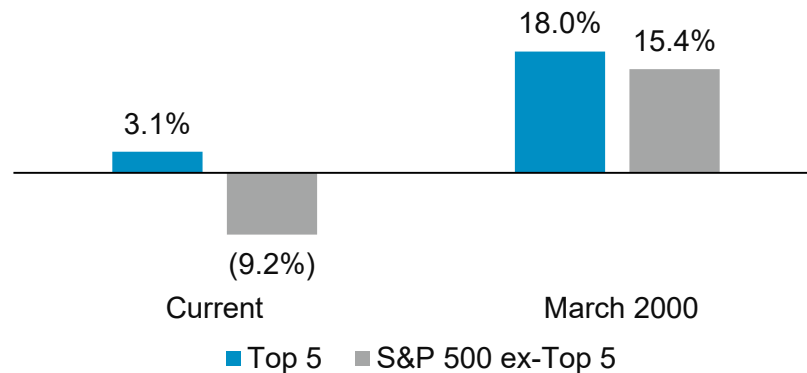
S&P 500 Fundamental Drivers*

Revenue and Earnings Growth are stronger for the 5 Largest Stocks vs. other S&P 500 companies

Sales Growth (Trailing 12-Month)

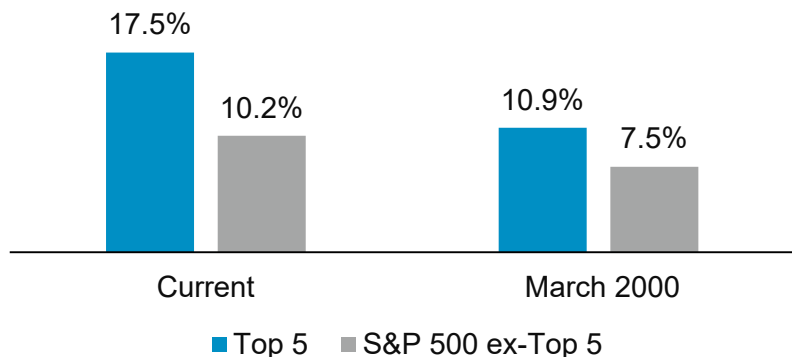


Earnings Growth (Trailing 12-Month)



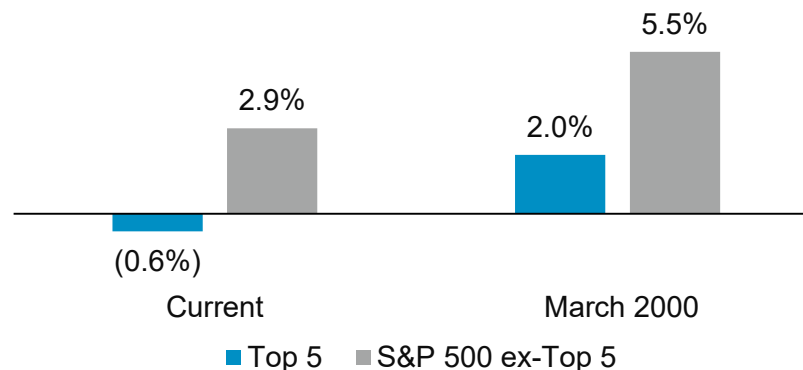
Net Margins (Trailing 12-Month)

Net Margins are 70% higher for the 5 largest stocks, contributing to lower volatility and better results in periods of market stress



Net Debt-to-EBITDA (12-Month)

The Top 5 companies have positive net cash positions



*Source: Bloomberg

S&P 500: Subsector Performance As of July 31, 2020*

	% Change						Div Yield
	1M	3M	YTD	LTM	% 52 Wk High	% 52 Wk Low	
S&P 500 RETAILING INDEX	7.5%	30.5%	35.5%	41.7%	-2.2%	75.0%	0.6%
S&P 500 TECH HW & EQP IX	18.1%	43.8%	33.8%	61.2%	0.0%	89.9%	1.1%
NASDAQ COMPOSITE INDEX	6.7%	26.5%	21.3%	32.9%	0.0%	64.2%	0.9%
S&P 500 SFTW & SVCS INDX	2.8%	20.3%	21.1%	29.5%	-0.4%	56.8%	1.0%
S&P 500 SEMI & SEMI EQP	5.3%	24.5%	14.6%	36.5%	-0.6%	65.0%	1.6%
S&P 500 Media & Ent	5.1%	17.4%	10.9%	17.9%	-2.4%	54.1%	0.3%
S&P 500 HH & PR PDTS IDX	7.7%	13.6%	7.9%	14.6%	-0.1%	37.9%	2.2%
S&P 500 Comm & Prof Serv	6.5%	20.5%	6.1%	10.4%	-4.7%	53.8%	1.1%
S&P 500 COMM SVC	4.5%	14.3%	5.7%	14.8%	-1.6%	44.3%	1.1%
S&P 500 PHRM BIO & LF SC	3.2%	6.7%	5.6%	22.9%	-1.5%	36.6%	2.2%
S&P 500 HC EQUIP&SVC IDX	6.5%	11.8%	2.8%	13.9%	-1.5%	55.2%	1.0%
S&P 500 INDEX	5.1%	16.2%	1.8%	11.9%	-3.1%	50.0%	1.8%
S&P 500 FOOD/STPL RETAIL	5.2%	4.8%	0.2%	13.3%	-3.0%	18.7%	1.7%
S&P 500 MATERIALS INDEX	4.8%	18.8%	-1.6%	6.3%	-3.6%	57.9%	2.1%
S&P 500 TRANSPN INDEX	7.3%	21.6%	-5.7%	-3.5%	-9.5%	53.5%	2.0%
S&P 500 FD BEV & TOB IDX	4.9%	7.0%	-6.2%	2.9%	-9.6%	33.8%	3.6%
S&P 500 UTILITIES INDEX	3.7%	7.5%	-7.1%	5.8%	-15.2%	38.0%	3.4%
S&P 500 REAL ESTATE IDX	0.2%	8.7%	-7.8%	0.2%	-14.8%	43.0%	3.3%
S&P 500 DIV FINANCIAL IX	5.6%	11.4%	-9.3%	-1.4%	-13.3%	42.8%	1.5%
S&P 500 CON DUR&AP INDEX	6.2%	21.1%	-10.1%	2.6%	-12.9%	70.5%	1.6%
RUSSELL 2000 INDEX	3.7%	17.8%	-11.0%	-4.6%	-13.5%	53.6%	1.7%
S&P 500 INSURANCE INDEX	6.9%	16.1%	-14.9%	-12.5%	-20.0%	44.9%	2.7%
S&P 500 CAPITAL GDS IDX	2.5%	12.4%	-15.8%	-8.4%	-19.5%	49.3%	2.5%
S&P 500 CONS SRV IDX	2.3%	5.3%	-21.9%	-20.4%	-25.8%	62.6%	2.4%
S&P 500 AUTO & COMP IDX	3.7%	25.5%	-26.5%	-26.6%	-28.6%	81.3%	4.1%
S&P 500 BANKS INDEX	3.4%	4.3%	-35.3%	-24.0%	-35.8%	28.7%	4.2%
S&P 500 ENERGY INDEX	-4.2%	-0.3%	-40.5%	-38.3%	-41.6%	57.4%	6.4%

*Source: Bloomberg

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