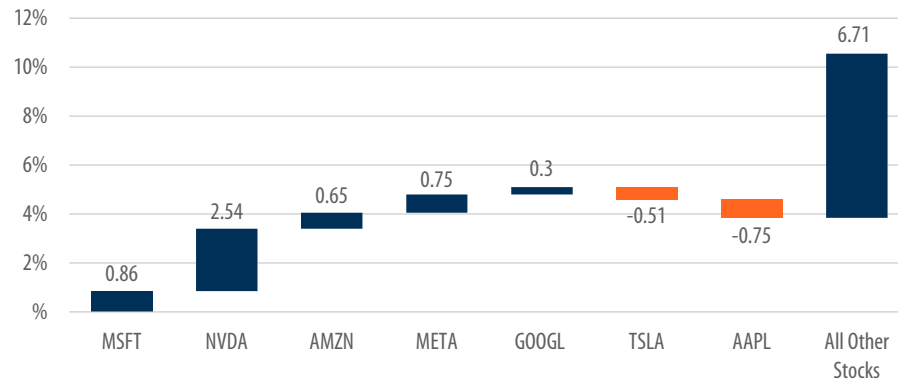


This week's edition of "Three on Thursday" looks at the S&P 500 Index over the first quarter of 2024. Widely regarded as a barometer for the overall stock market, the S&P 500 Index tracks the performance of 500 of the largest companies listed on U.S. stock exchanges. The S&P 500 Index adopts a market-cap weighting approach, allocating a higher percentage of the Index to companies with larger market capitalizations, adjusting for the number of shares available to trade publicly. In the first quarter, the S&P 500 Index delivered a total return of 10.6%, its 11th best start to a year in history. The S&P 500 Index hit all-time highs 22 times over the period, with only a 1.7% maximum drawdown over the quarter. A very exceptional quarter indeed! Below are three insightful charts to offer a deeper understanding of the events that unfolded during this extraordinary quarter.

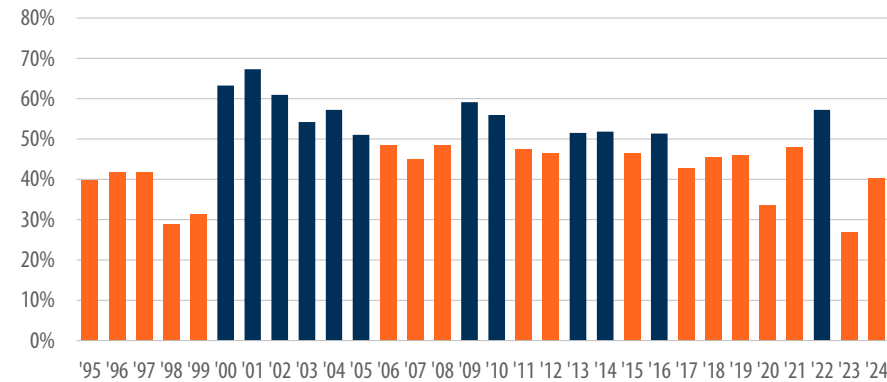
S&P 500 Index Q1 2024 Attribution



Source: Capital IQ, First Trust Advisors. Data from 1/1/24 – 3/31/24.

The "Magnificent 7" companies – Apple, Nvidia, Microsoft, Amazon, Tesla, Alphabet, and Meta – which currently boast a combined 28.7% weighting in the S&P 500 Index, accounted for 60.2% of the 26.3% total return in the market last year. So far in 2024 at the end of Q1, the Magnificent 7 accounted for 36.4% of the 10.6% return. Nvidia stood out with an impressive 82% increase, leading the pack in terms of contribution. However, not all members of this elite group saw positive growth; Apple and Tesla experienced declines of 11% and 29%, respectively, together detracting 1.26 percentage points from the market's overall performance. Tesla's downturn was particularly notable, marking it as the poorest performer in the S&P 500 Index, and causing it to slip to the ninth position by market capitalization, replaced by Berkshire Hathaway in the seventh slot. If Berkshire Hathaway Inc. replaced Tesla in the Magnificent 7, the new Mag 7's contribution to the overall market Q1 return increases to 44.0%.

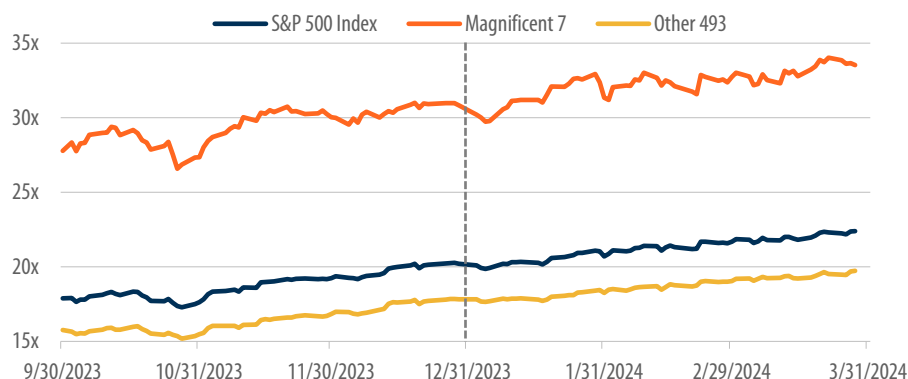
Percentage of S&P 500 Members Outperforming the Index



Source: Capital IQ, First Trust Advisors. Data as of 3/31/24.

In 2023, market advances were very concentrated, with a mere 27% of firms within the S&P 500 Index surpassing the Index's performance. The first quarter of 2024, however, marked a shift towards a more inclusive rally, with 40% of companies in the Index outpacing the overall Index. This indicates a trend toward more widespread market returns, a welcome improvement from the previous year's narrow gains. Despite this positive change, the proportion of companies outperforming the Index remains below the 29-year average of 48%.

Forward P/E by S&P 500 Index Segment Based on 2024 EPS



Source: Capital IQ, First Trust Advisors. Data as of 3/31/24.

The S&P 500 Index total return surged by 10.6% in the first quarter, but earnings are not expected to grow as quickly. This has led to an increase in the price-to-earnings multiple (P/E) for the S&P 500 Index which has expanded to 22.4 at the end of March from 20.2 at the start of the year. The expansion this year can be somewhat attributed to the extraordinary price performance of the Magnificent 7. Their P/E has experienced a surge from 30.8 at the beginning of the year to 33.5 as of the end of March, but the P/E for the other 493 companies also moved higher from 17.8 to 19.7.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.