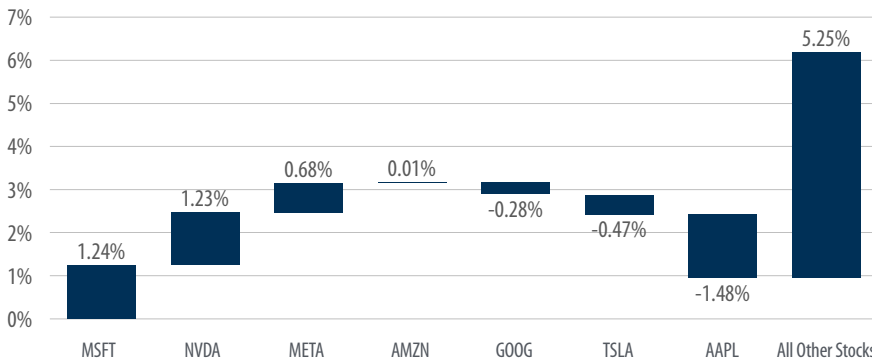


## S&P 500 Index 1H: A Broader Market Awakens

It's been a turbulent but ultimately rewarding first half for the stock market. In this week's edition of Three on Thursday, we spotlight the S&P 500 Index ("Index")—one of the most trusted gauges of U.S. equity performance. The Index, which tracks 500 of the largest publicly traded companies using a market-cap-weighted methodology, ended the first half of 2025 with a total return of 6.2%, despite a peak-to-trough drawdown of 18.8%. Remarkably, it closed June at all-time highs. Below are three charts that provide a deeper understanding of the events that shaped the first half of the year.

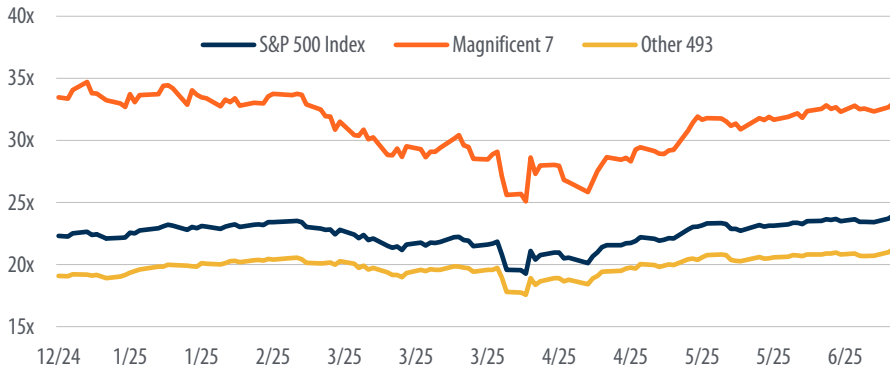
### S&P 500 Index 1H 2025 Attribution



Source: Capital IQ, First Trust Advisors. Data from 12/31/23 – 6/30/25.

The "Magnificent 7" — Apple, NVIDIA, Microsoft, Amazon, Tesla, Alphabet, and Meta — currently make up a hefty 31.5% of the S&P 500 Index. Yet in the first half of 2025, they contributed just 14.5% of the Index's 6.2% total return. Three of the seven declined: Tesla dropped 21.3%, Apple fell 17.9%, and Alphabet slipped 6.7%. The gains were led by Meta (+26.3%), Microsoft (+18.5%), and NVIDIA (+17.7%).

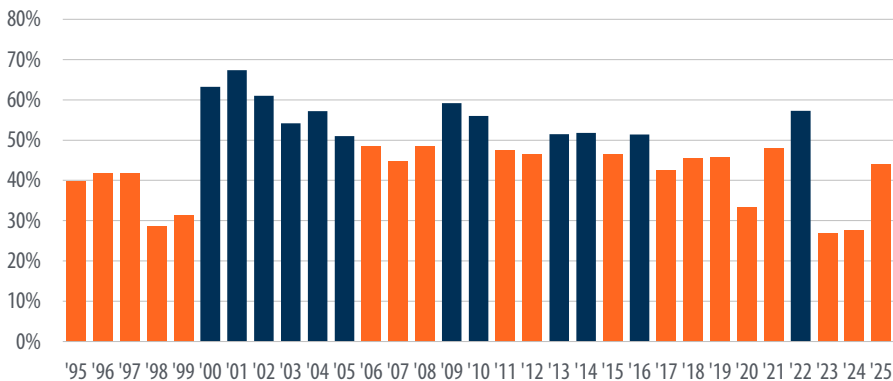
### Forward P/E by S&P Segment Based on 2025 EPS



Source: Capital IQ, First Trust Advisors. Data as of 6/25/25.

The S&P 500 Index posted a total return of 6.2% in the first half of 2025, but earnings expectations haven't kept pace. As a result, the Index's price-to-earnings (P/E) ratio based on 2025 estimates has climbed from 22.3 at the start of the year to 24.6 by June 25. Interestingly, the "Magnificent 7" saw virtually no change in their valuations, with their P/E ratio edging slightly lower from 33.5 to 33.4. The real driver of the broader market's valuation expansion was the remaining 493 companies, whose collective P/E rose from 19.1 to 21.9. This divergence highlights how rising market valuations have been fueled more by multiple expansion than by earnings growth.

### Percentage of S&P 500 Index Members Outperforming the Index in 2025



Source: Capital IQ, First Trust Advisors. Data from 12/30/95 – 6/30/25.

In 2023, only 27% of stocks outperformed the S&P 500 Index, making it the narrowest market since at least 1995. The trend continued in 2024, with just 28% of stocks beating the index—marking the second narrowest year in nearly three decades. Such extreme concentration hasn't been seen since 1998 and 1999. However, after that period in the late '90s, the market broadened out significantly over the following years. Through the first half of 2025, 44% of members outperformed the overall Index. Led by Palantir Technologies Inc., which soared 80.2% in the first half, a total of 228 members posted positive gains during the period.

**Past performance is no guarantee of future results.** The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Index data is for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. These returns were the result of certain market factors and events which may not be repeated in the future. References to specific securities should not be construed as a recommendation to buy or sell and should not be assumed profitable.

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