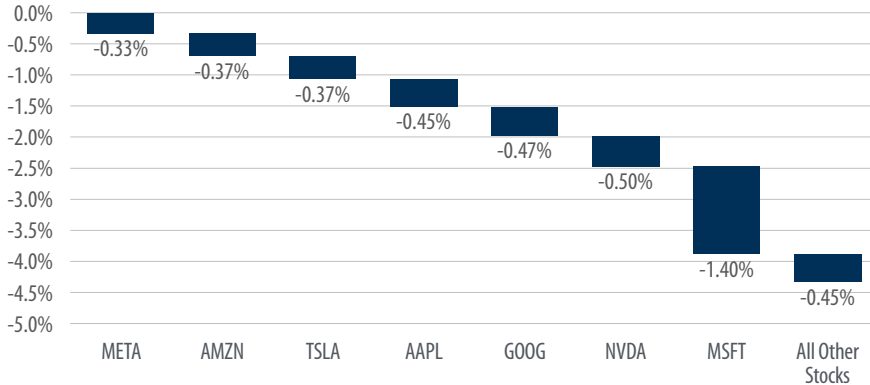


S&P 500 Index in Q1, Broadening Beneath the Surface

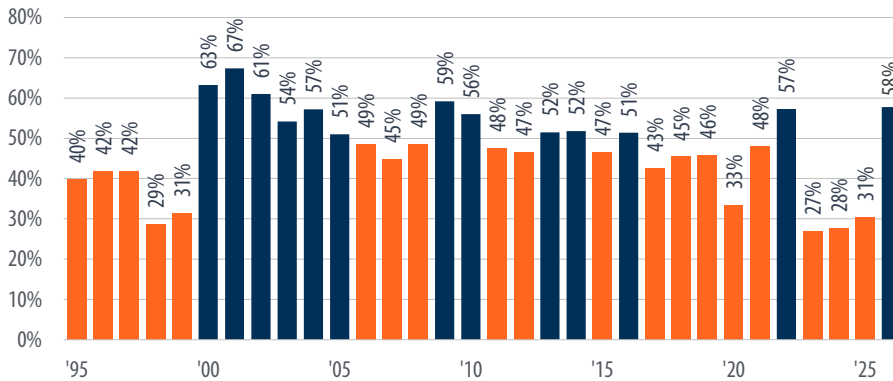
With the first quarter of 2026 coming to a close last week, this week's edition of "Three on Thursday" looks at the S&P 500 Index (the "Index") over that period. Widely regarded as a barometer for the overall stock market, the Index tracks the performance of 500 of the largest companies listed on U.S. stock exchanges. The 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 Index delivered a total return of -4.3%, matching the worst quarterly return since the first quarter of 2025. As of yesterday's close, the Index is down 2.2% on a total return basis since hitting its all-time high on January 27 of this year. Market breadth has shown signs of improvement. Below are three charts to offer a fuller picture of the events that unfolded in the first quarter.

S&P 500 Index YTD Attribution Through Q1 2026



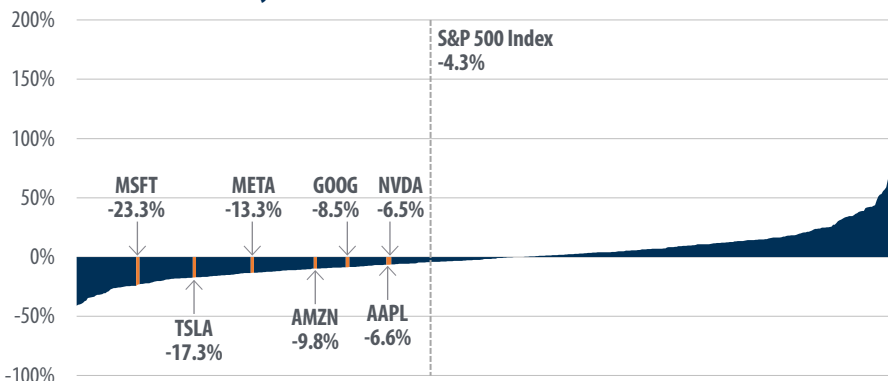
Source: Capital IQ, First Trust Advisors. Data from 12/31/25 – 3/31/26.

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



Source: Capital IQ, First Trust Advisors. Data from 12/30/95 - 3/31/26.

Q1 2026 Total Return by S&P 500 Stock



Source: Bloomberg, First Trust Advisors. Data from 12/31/25 - 3/31/26.

The "Magnificent 7"—Apple, NVIDIA, Microsoft, Amazon, Tesla, Alphabet, and Meta—currently make up a hefty 33.3% of the Index. Yet in Q1 2026, they were anything but magnificent. All seven posted losses and, together, drove almost all of the 4.3% decline in the Index. Microsoft led the drop, falling 23.3% and subtracting 1.4 percentage points on its own, the largest single negative contributor. Meanwhile, the other 493 companies collectively shaved just 0.45 percentage points off returns, highlighting how concentrated performance among the market's giants continues to drive broader Index moves.

In 2023, just 26.9% of stocks outperformed the Index, the narrowest market since at least 1995. That pattern persisted in 2024 and 2025, with only 27.7% and 30.5% of stocks beating the Index, among the most concentrated stretches in nearly three decades. Such narrow leadership hasn't been seen since the late 1990s and that period was followed by a meaningful broadening in market participation. That shift may now be underway. In Q1 2026, 57.8% of stocks outperformed the Index. If sustained, this would mark the broadest market since 2009.

If you've followed the guidance of financial professionals and built a well-diversified portfolio, there's a possibility your performance in Q1 2026 may have exceeded that of the Index. Reason being the decline was largely driven by its biggest constituents, whose outsized weightings can disproportionately pull the Index lower. Consider this: the top-performing stock of the quarter, SanDisk Corporation, surged 167.7%. Yet with a weighting of just 0.14%, it contributed only 0.09 percentage points to the Index. Meanwhile, NVIDIA fell 6.5% but carries a roughly 7.6% weighting—dragging the Index down by about 0.5 percentage points, more than five times the impact of SanDisk's gain, but in the opposite direction. In fact, 290 stocks outperformed the Index during the quarter. Equal-weighting all 500 companies would have produced a positive return of 0.7%, compared to the -4.3% decline in the traditional market-cap weighted Index.

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.

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