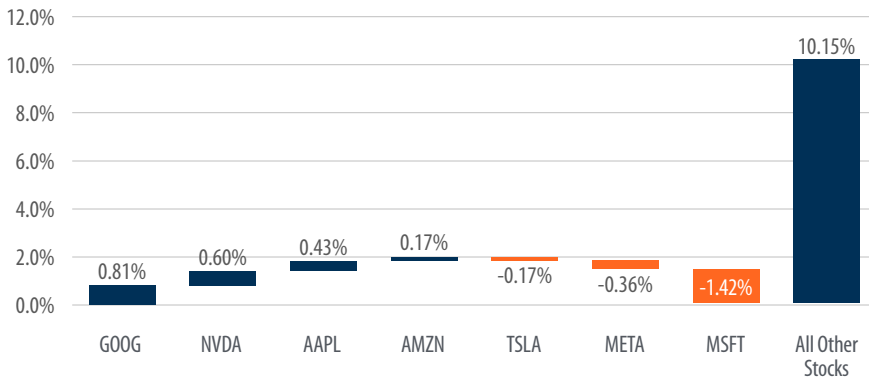


S&P 500 Index 1H Update: The Broadening Continues

With the first half (1H) 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, 2026, the Index delivered a total return of -4.3%, matching the worst quarterly return since the first quarter of 2025. But in the second quarter alone, the S&P 500 Index total return grew 15.2% leaving the overall Index up 10.2% for the first half of the year. Market breadth continues to improve. Below are three charts to offer a fuller picture of the events that unfolded in the first half.

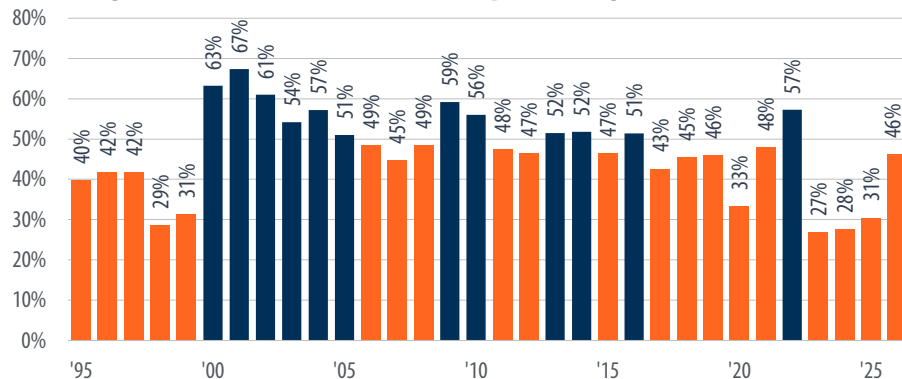
S&P 500 Index Attribution Through 1H 2026



Source: Capital IQ, First Trust Advisors. Data from 12/31/25-6/30/26.

The "Magnificent 7"—Apple, NVIDIA, Microsoft, Amazon, Tesla, Alphabet, and Meta—now account for 33.4% of the S&P 500 Index. But in the first half of 2026, they were anything but magnificent. Three of the seven posted negative returns, collectively reducing the S&P 500 Index's total return by nearly two percentage points. Microsoft was the biggest drag, falling 22.5% and shaving 1.4 percentage points off the Index by itself. In contrast, the other 493 companies contributed a combined 10.2 percentage points to the S&P 500 Index's total return.

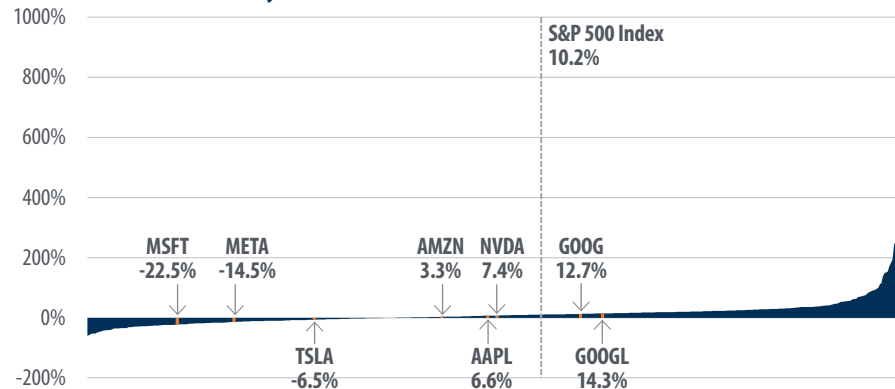
Percentage of S&P 500 Index Members Outperforming the Index in 1H 2026



Source: Capital IQ, First Trust Advisors. Data from 12/30/95-6/30/26.

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 the first half of 2026, 46.3% of stocks have outperformed the Index.

1H 2026 Total Return by S&P 500 Index Stock



Source: Bloomberg, First Trust Advisors. Data from 12/31/25-6/30/26. GOOG and GOOGL represent the Class A and Class C shares for Alphabet Inc., respectively.

If you've built a well-diversified portfolio, there's a possibility your performance in the first half of 2026 may have exceeded that of the Index. Reason being the largest constituents had moderate-to-negative returns, disproportionately pulling the Index lower. Consider this: the top-performing stock in the first half of 2026, SanDisk Corporation, surged 857.8%. Yet with a weighting of just 0.23%, it contributed only 0.5 percentage points to the Index. Meanwhile, NVIDIA rose only 7.4% in the first half but carries a roughly 7.8% weighting, meaning it contributed 0.6 percentage points to the Index, more than the impact of SanDisk's gain. Equal-weighting all 500 companies would have produced a total return of 12.1%, compared to the 10.2% gain in the traditional market-cap weighted Index.

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. 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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