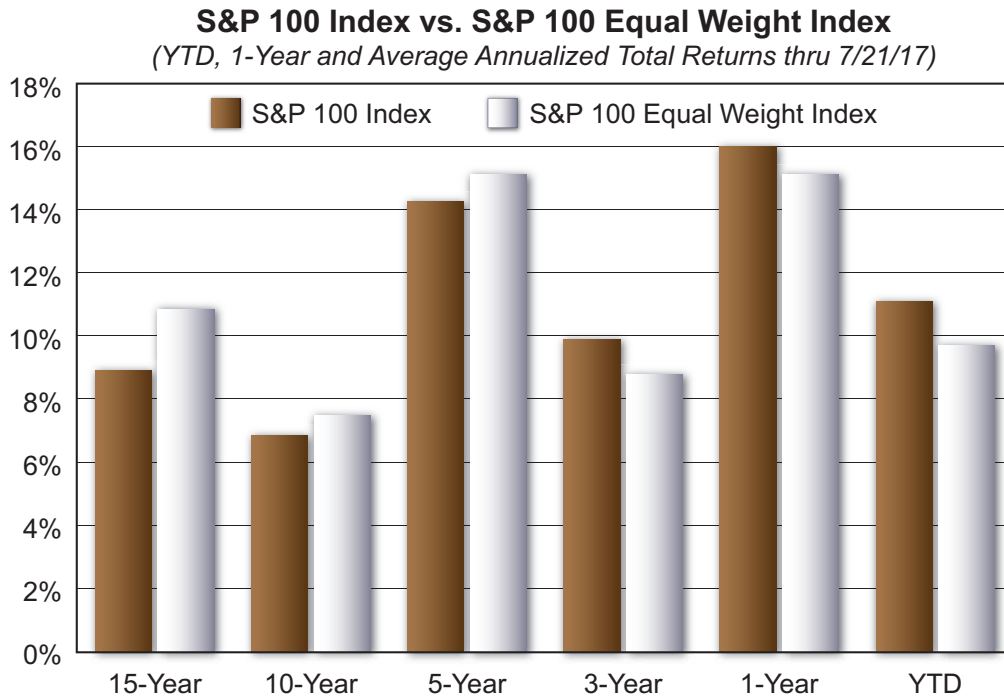


A Snapshot of Mega-Cap Stocks



Source: Bloomberg.
Past performance is no guarantee of future results.

View from the Observation Deck

1. With all of the discussion of late pertaining to how the gains being posted by the S&P 500 Index are being driven mostly by the largest companies in the index, as measured by market capitalization (cap), we thought we might investigate it by comparing the returns of the S&P 100 Index, which is cap-weighted, and its equal-weight version, over time.
2. While there is not an exact definition for mega-cap stocks, mega-cap generally refers to companies with a market cap in excess of \$100 billion, according to Investopedia.
3. The S&P 100 Index provides investors with a proxy for the mega-cap space, in our opinion. As of 6/30/17, the index was comprised of 102 companies.
4. The average market cap of those 102 companies was \$134.27 billion, according to S&P Dow Jones Indices. The top 10 constituents accounted for 30.1% of the S&P 100 Index, compared to 10.7% for the S&P 100 Equal Weight Index.
5. As indicated in the chart, the S&P 100 Equal Weight Index outperformed its cap-weighted counterpart in the 15-, 10- and 5-year periods ended 7/21/17, but lagged the S&P 100 Index in the most recent three periods (3-year, 1-year and YTD).
6. The total returns and average annualized total returns were as follows (S&P 100 Index vs. S&P 100 Equal Weight Index): 15-yr. avg. annualized (8.91% vs. 10.85%); 10-yr. avg. annualized (6.85% vs. 7.47%); 5-yr. avg. annualized (14.25% vs. 15.12%); 3-yr. avg. annualized (9.88% vs. 8.76%); 1-yr. (16.02% vs. 15.11%) and Y-T-D (11.08% vs. 9.68%).
7. With respect to the four annualized periods in the chart, their cumulative total returns were as follows (S&P 100 Index vs. S&P 100 Equal Weight Index): 15-yr. (260.47% vs. 369.43%); 10-yr. (94.10% vs. 105.60%); 5-yr. (94.80% vs. 102.36%) and 3-yr. (32.69% vs. 28.68%).
8. While the cap-weighted version of the index has outperformed over the past three years, an indication that a more narrow universe of stocks has been driving returns, the equal-weight version of the index reflected broad participation in the more extended periods depicted in the chart.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. There can be no assurance that any of the projections cited will occur. Investors cannot invest directly in an index. The S&P 100 Index is a capitalization-weighted index based on 100 highly capitalized stocks selected from the S&P 500 for which options are listed, while the S&P 100 Equal Weight Index is the equal-weight version of the S&P 100 Index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. By providing this information, First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA and the Internal Revenue Code. First Trust has no knowledge of and has not been provided any information regarding any investor. Financial advisors must determine whether particular investments are appropriate for their clients. First Trust believes the financial advisor is a fiduciary, is capable of evaluating investment risks independently and is responsible for exercising independent judgment with respect to its retirement plan clients.