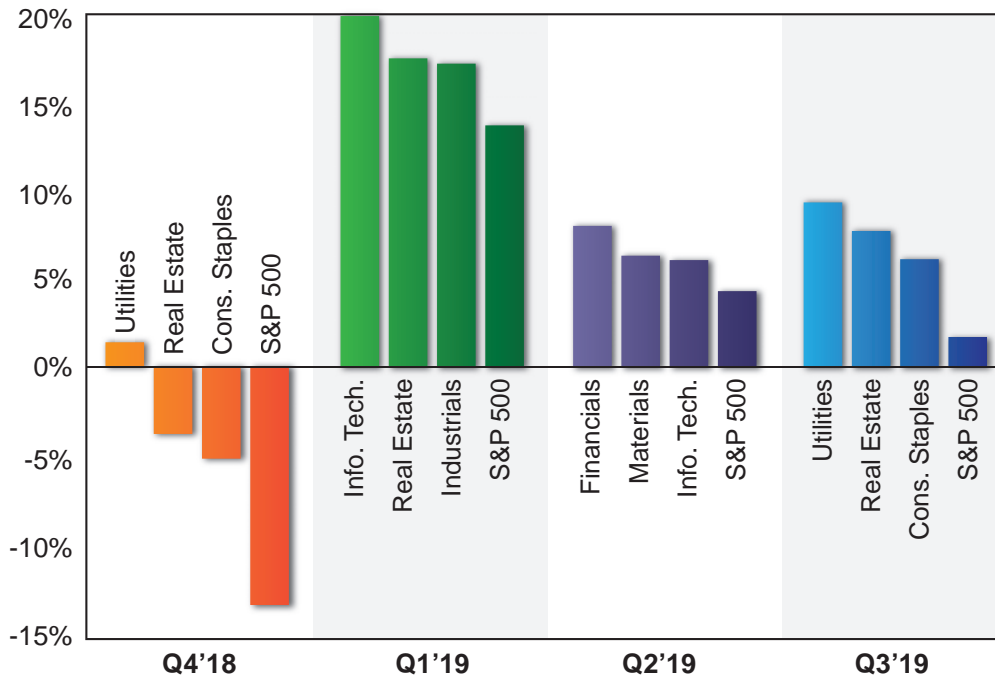


# The Only Constant Is Change

Top Three S&P 500 Index Sectors In Each Of The Past Four Quarters



Source: Bloomberg. Returns are total returns. Past performance is no guarantee of future results.

## View from the Observation Deck

1. One of the most common questions we field on an ongoing basis is the following: What are your favorite sectors?
2. Sometimes the answer is more evident than at other times, in our opinion.
3. You didn't need much of a crystal ball to tout Information Technology in 1998 and 1999 (top-performing S&P 500 sector both years by a wide margin), as was the case with Energy in 2004 & 2005, according to performance data from Bloomberg.
4. From 2006-2018, however, no sector in the S&P 500 Index was able to repeat as the top-performer on a calendar year basis.
5. As indicated in the chart above, while the top-performing sectors in Q3'19 were the same, and in the same order, as in Q4'18, this time around investors made money as opposed to losing less.
6. With the exception of Q4'18, S&P 500 Index sector returns were mostly strong for the 12-month period ended 9/30/19. While the S&P 500 Index posted a total return of 4.25% for the period, five of the 11 sectors outperformed the broader index, according to Bloomberg. They were as follows: 27.10% (Utilities); 24.74% (Real Estate); 16.85% (Consumer Staples); 8.60% (Information Technology); and 5.69% (Communication Services).
7. Despite the respectable showing, investors were net sellers of sector funds over the 12-month period ended August 2019 (most recent data). Sector Equity mutual funds and exchange-traded funds (ETFs) reported estimated net outflows totaling \$60.7 billion (-\$33.3 billion/Active vs. -\$27.4 billion/Passive), according to Morningstar.

*This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. Past performance is no guarantee of future results. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The respective S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.*

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