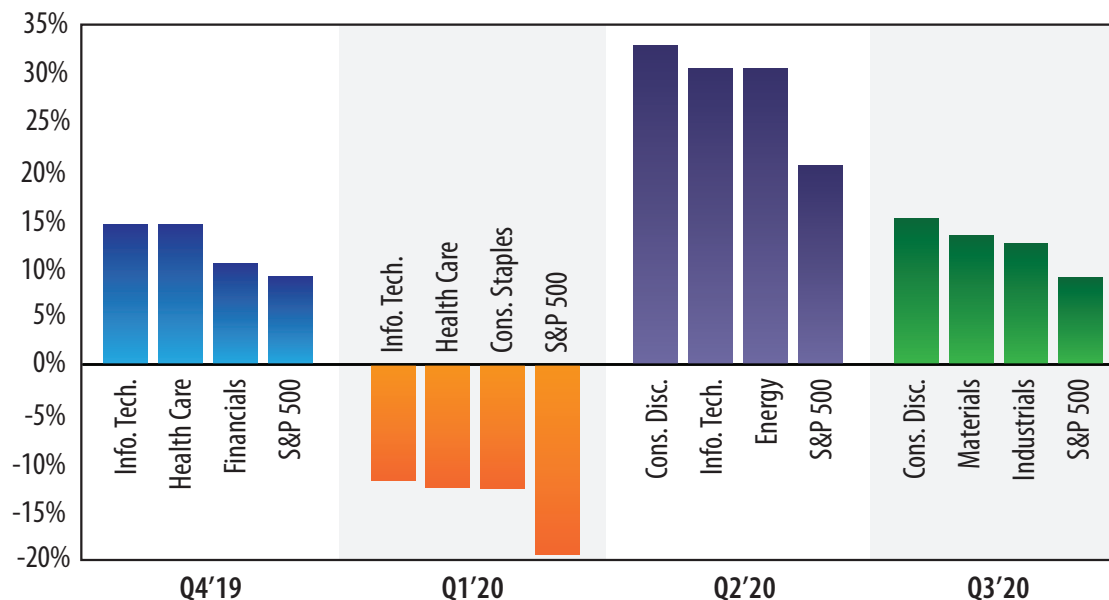


The Only Constant Is Change

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 2006-2019, however, no sector in the S&P 500 Index was able to repeat as the top-performer on a calendar year basis.
5. The three top-performing sectors in Q3'20 were as follows (total returns): 15.06% (Consumer Discretionary), 13.31% (Materials) and 12.47% (Industrials). The total return on the S&P 500 Index was 8.93%. The other eight sectors generated total returns ranging from -19.72% (Energy) to 11.95% (Information Technology).
6. Investors were net buyers of passive sector funds for the 12-month period ended 8/31/20, but net sellers of active sector funds. Sector Equity mutual funds and exchange-traded funds (ETFs) reported estimated net inflows totaling \$18.97 billion (\$34.92 billion/Passive vs. -\$15.95 billion/Active), according to Morningstar.
7. Fund flows to the Sector Equity category were strong in August 2020. Net inflows totaled an estimated \$6.39 billion, according to Morningstar.
8. [Click here](#) to access the post featuring the top-performing sectors in Q4'18, Q1'19, Q2'19 and Q3'19.

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. 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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