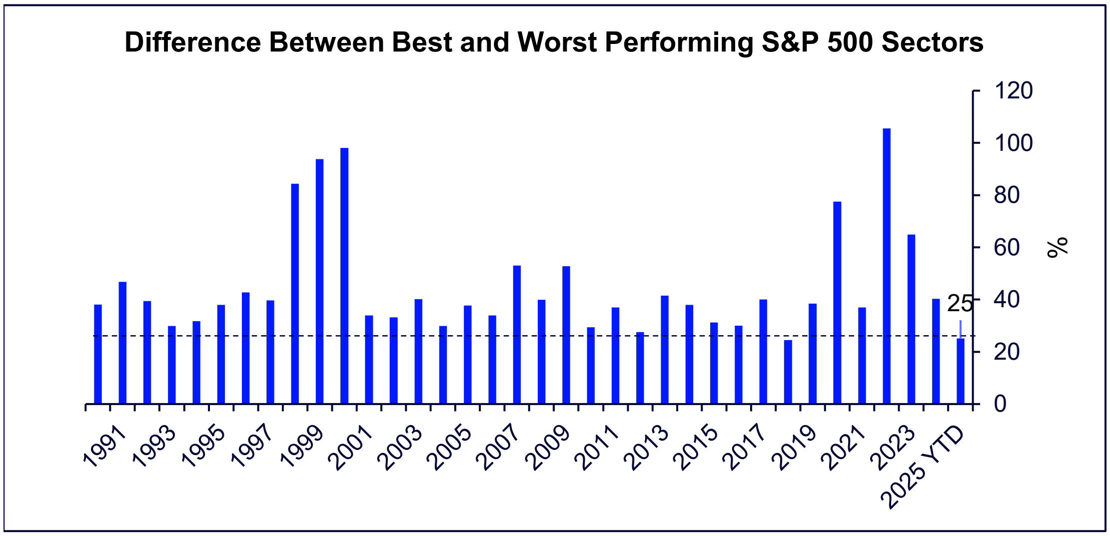
STATE STREET INVESTMENT MANAGEMENT

COMMENTARY
November 13, 2025

Mind on the Market

Chart of the Week



Source: FactSet, S&P. Data from 12/31/1990 to 11/12/2025. Real Estate sector included from inception (2002).

In 2025, equity markets have been shaped by government actions, policy shifts, and macroeconomic data. Additionally, the technology sector has dominated headlines, with investors closely watching single name securities. However, despite the intense focus on tech, the gap between the best and worst performing sectors in the S&P 500 year-to-date remains historically narrow. Information Technology leads Consumer Staples by 25%, which may sound substantial, but this level of sector dispersion is the lowest in 35 years, excluding 2018. All sectors have put up positive returns YTD and there are 5 sectors (in addition to tech) delivering double digit returns.

Contact

Christine Norton, CFA®
Investment Strategy & Research Specialist

Dane Smith
Head of Investment Strategy & Research – North America

Weekly Highlights

Effective Number of Securities in the S&P 500	S&P 500 IT Sector P/E discount vs. pre-2000 tech bubble	Top 10% of Securities in the S&P 500 (by weight), account for the majority of net income
44	41%	60%
Source: FactSet. Data as of 11/11/2025.	Source: FactSet. Data as of 11/12/2025	Source: FactSet. Data as of 11/12/2025.

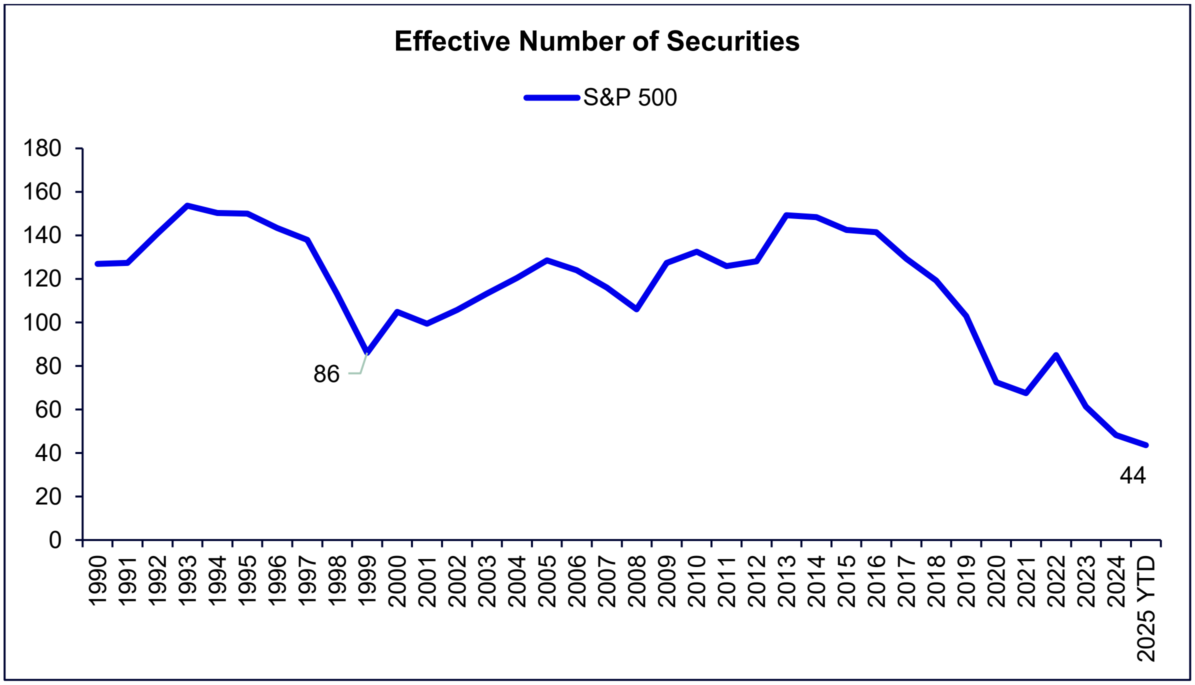
.

Addressing Concerns Around US Equities

Institutional clients hold concerns around US equity market concentration, valuations, and resiliency. Some of the headlines surrounding these concerns include:

- The top 10 holdings in the S&P 500 make up about 40% of the index
  - NVIDIA alone makes up 8% of the S&P 500
- The Information Technology sector accounts for 35% of the index
- S&P 500 forward price to earnings ratio is approaching levels seen prior to 2000

Observing the effective number of securities in the S&P 500 reveals that there are about 44 names within the index that are truly driving returns, the lowest level observed over the past ~35 years.



Source: FactSet, S&P. Data from 12/31/1990 to 11/11/2025. The effective number of securities was calculated using the inverse of the Herfindahl-Hirschman Index (HHI) based on portfolio weights.

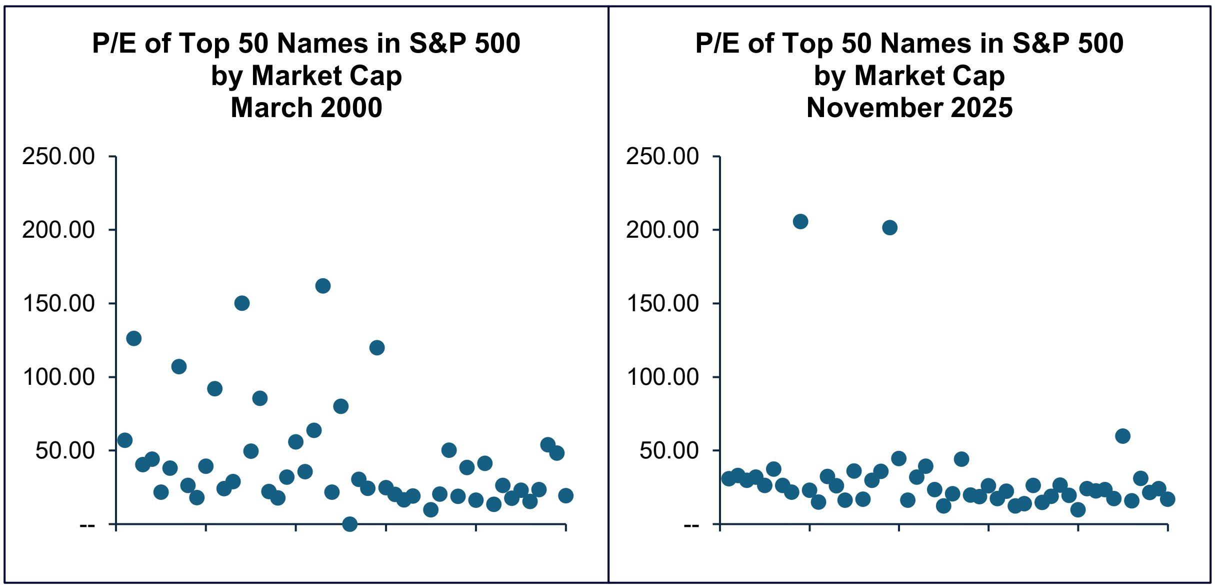
This evolution has encouraged many clients to evaluate diversification within their strategic asset allocation. Indeed, we believe diversification will be important heading into 2026 as single names command larger weights within the index. However, we would caution from completely diversifying away exposure to the U.S. market, as heavyweights have been large contributors to both performance and earnings growth. Not to mention, the index provides solid exposure to the AI theme.

Concentration has also prompted clients to probe further into what's driving valuation higher, and brought about questions regarding the resiliency of the S&P 500 index.

Overall, broad index level valuations are extended relative to recent history, and the same can be said about the technology sector. However, we don't believe this experience is similar to another technology "bubble".

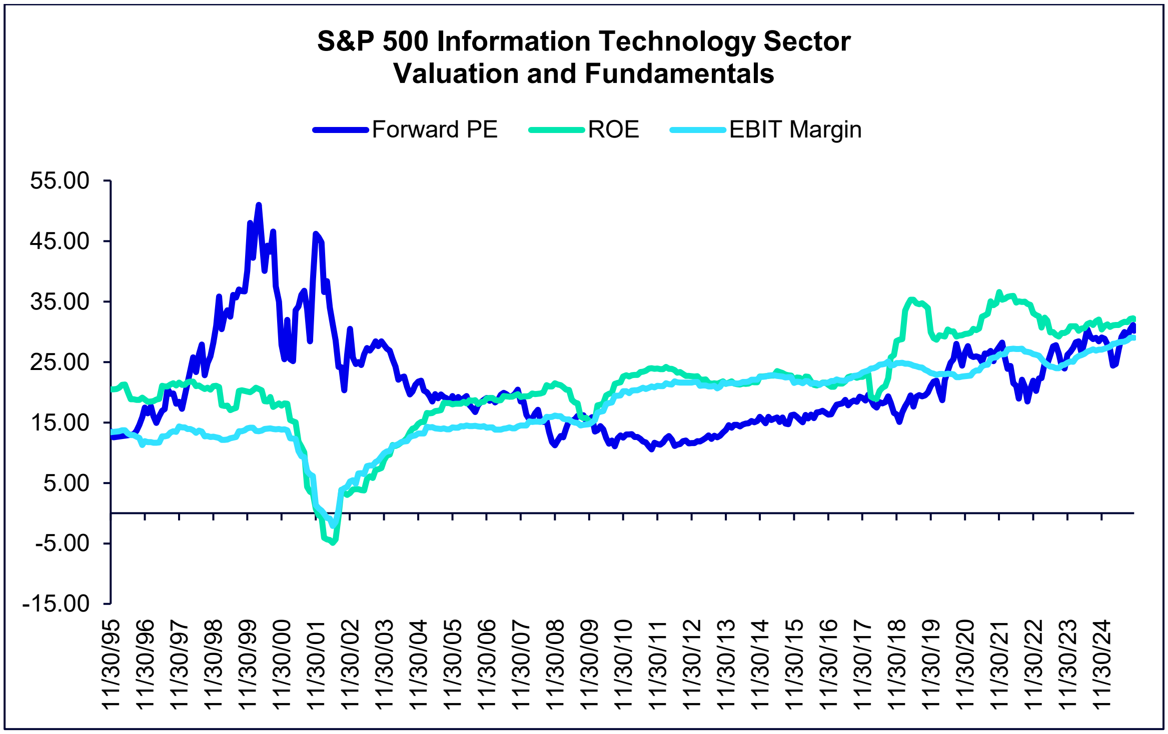
Firstly, valuations during the technology bubble were much more extended. At its peak in early 2000, the Information Technology sector of the S&P 500 was trading at 50x NTM P/E., which is a 69% premium to valuations of tech today.

Within the S&P 500 itself, some of the large players are trading at elevated multiples but, the breadth of richness is not spread among the S&P 500 like it was in March of 2000. Besides a few outliers, the majority of the top 50 names by market cap are trading below 50x earnings, unlike in 2000.



Source: FactSet, S&P. Data on a NTM P/E basis and observed on March 31, 2000 and November 11, 2025. Note: Yahoo! Inc. was removed from the March 2000 chart for visual purposes. At that time Yahoo! Inc. was trading at 425x NTM earnings.

Market fundamentals today stand in stark contrast to the early 2000s. Back then, technology valuations soared without corresponding improvements in profitability. The chart below illustrates this disconnect, showing ROE and EBIT margins stagnating or even declining as valuations surged. The current valuation trends are supported by stronger fundamentals, making today's environment far more resilient and less speculative than the dot-com era.



Source: FactSet, S&P. Data from 11/30/1995 to 11/12/2025. ROE and EBIT Margin are measured on a last-twelve-month basis. PE measured on a next-twelve-month basis.

In addition to healthier margins and profitability, we would be remiss not to mention the earnings growth and free cash flow generation the largest firms are producing. Within the S&P 500, the top 10% of securities (measured by weight in the index) generate 60% of net income for the overall index. Within the information technology sector this is even more pronounced. The top 10% of names in the sector account for 75% of net income.

As investors navigate concerns about market concentration and valuation, it’s important to recognize the resilience and breadth of today’s U.S. equity market. Unlike prior cycles, fundamentals remain strong across both technology and the broader S&P 500. This strength is underpinned by supportive macroeconomic conditions, fiscal policy, and healthier corporate balance sheets—characterized by higher cash reserves and lower leverage. Together, these factors create a constructive outlook for U.S. equities as we move toward 2026.

Source: FactSet, S&P, State Street Investment Management. Data as of 11/11/2025 unless otherwise stated. Past performance is not a reliable indicator of future performance. Index returns are unmanaged and do not reflect the deduction of any fees or expenses.

About State Street Investment Management

At State Street Investment Management, we have been helping to deliver better outcomes to institutions, financial intermediaries, and investors for nearly half a century. Starting with our early innovations in indexing and ETFs, our rigorous approach continues to be driven by market-tested expertise and a relentless commitment to those we serve. With over $5 trillion in assets managed*, clients in over 60 countries, and a global network of strategic partners, we use our scale to create a comprehensive and cost-effective suite of investment solutions that help investors get wherever they want to go.

* This figure is presented as of September 30, 2025 and includes ETF AUM of $1,848.02 billion USD of which approximately $144.95 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

Important Risk Information

ssga.com

Marketing Communication

Important Risk Discussion

State Street Global Advisors (SSGA) is now State Street Investment Management. Please go to statestreet.com/investment-management for more information.

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable regional regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This communication is directed at professional clients (this includes eligible counterparties as defined by the "appropriate EU regulator") who are deemed both knowledgeable and experienced in matters relating to investments. The products and services to which this communication relates are only available to such persons and persons of any other description (including retail clients) should not rely on this communication.

The views expressed in this material are the views of Christine Norton and Dane Smith through the period ended November 13, 2025 and are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without State Street Investment Managements express written consent.

All information is from State Street Investment Managements unless otherwise noted and has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates raise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss.

STATE STREET INVESTMENT MANAGEMENT

Currency Risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price

fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.