

UNCOMMON INSIGHTS

Q3 I 2023

Artificial Intelligence: Don't Get Carried Away with the Market

Conventional wisdom says that investors should periodically benchmark their portfolio performance against the performance of the overall stock market to determine if their investing strategy is working. In doing so, investors use stock market indexes and assume that those indexes represent the overall stock market. That is not always the case, and when it is not the case, the conclusions investors draw from their benchmarking exercise can be flawed, which can lead to poor decision-making.

16.2% **3,000 Stocks** Return Year - to -Constituents in the Date (YTD) of the Russell 3000 Index Russell 3000 Index 7 Stocks Al Tech Stocks in the Russell 3000 Index **2,896 Stocks Top Weighted 7** in Russell 3000 **Tech Stocks** Index With Y-T-D data available* 78.2% Average Return Year-to-Date (YTD) More than 45% Number of stocks reported the index with a NEGATIVE year-to-date return **All Other Stocks** Reported 7.4% Average Return

Year-to-Date (YTD)

Key Takeaway

A handful of stocks known as the "Magnificent Seven"—driven by the boom in interest in Artificial Intelligence—have far outpaced the overall stock market.

When you strip out these technology companies from the stock index, the average stock has generated more modest returns of 7.4% year-to-date.

Glossary:

Benchmarking: Investors compare investment performance to stock indexes to evaluate strategies.

The Stock Market: In the United States, there are about 4,572 common stocks listed on the primary stock exchanges.

Stock Indexes: Russell and Standard and Poor's compile stock lists representing market segments; some indexes, like Russell 3000 and S&P 500, attempt to measure the total market with multiple constituents.

Index Type: Stock index performance can be measured equally or based on relative size of constituents.

(Source—https://www.statista.com/statistics/127721 6/nyse-nasdaq-comparison-number-listed-companie s/, as of March 31, 2023).



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Source of Returns *

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