GLOBAL
WEALTH ADVISORS LLC
Registered Investment Advisor

INSIGHTS

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Have Index Funds Built the Giants?

Many of the trends in the markets that investors find novel or concerning get laid at the feet of the index funds. One such claim is that index investing has contributed to the rise of todays mega cap companies, since index popularity presumably channels more capital to the largest names in the index.

However, index ownership data paints a more nuanced picture. The largest 10 stocks in the Russell 3000 Index actually have lower index ownership than other large caps. This could be due to things like level of insider ownership of top stocks or overlap between the indices' holdings. But the salient point is that the majority of these companies' market capitalization is held by other investors—actively managed funds, institutions,and households—whose investment decisions are not mechanically tied to index weights.. OOO

Exhibit 1

Percentage of Ownership by Index Funds for Largest 500 Stocks in the Russell 3000 Index

As of April 30, 2026

Ownership data provided by FactSet. Represents the percentage of a company's market capitalization that is held by index funds.

A Personal Note from Global Wealth Advisors

The first six months of this year provided a roller-coaster ride for equity market returns. The steep descent began in February and carried into March but April and May provided the strong rebound. The S&P 500, DJIA and NASDAQ were down slightly in June but overall, the year-to-date returns are good, and the one-year returns are even better at twenty plus percent. It's a great example of staying invested during periods of volatility and having well-diversified, global portfolios to capture equity returns around the world.

The Federal Reserve has a new chairman that is committed to keeping long-term inflation at 2% while striving for price stability and low un-employment in the economy. If the conflict with Iran continues to drive oil prices and affiliated goods and services up, and therefore short-term inflation, then the Fed may move to raise interest rates in the fall to help cool things down a bit.

Last but not least, Artificial Intelligence, (AI) continues to increase the value of stocks related to the industry and also cause disruption in the employment of people in business. In addition, data centers will provide much needed computing power for users and increased tax revenue for the municipalities and states that host them. There will be growing pains with this new technology but the anticipated gains in productivity and advancement in science and medicine should be well worth it.

OOO

Market Returns During Past Geopolitical Conflicts

We noted in a recent piece that geopolitical conflicts don't have to result in disappointing subsequent stock returns because markets are forward-looking and set prices for positive expected returns. But how have markets actually fared during previous geopolitical incidents? Based on 36 years of history, the answer has largely been good news.

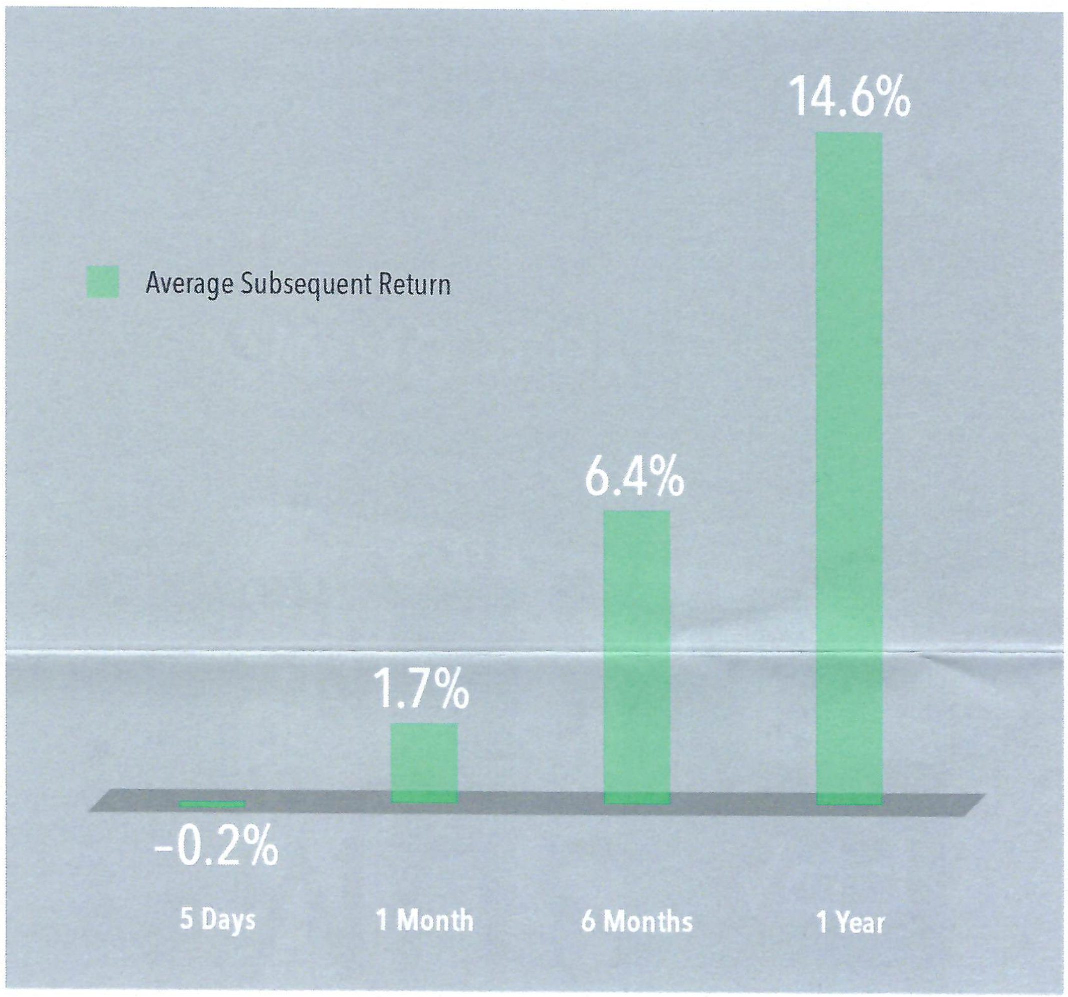
While the classification of an event as a geopolitical co flict is subjective, we identified 21 global events since 1990. Charting returns starting from the onset of these events, we see slightly negative returns on average for the first five days, but then positive average returns over subsequent horizons. This would see consistent with a market resetting prices in light of negative news at the start, which then sets up a positive expected returnin the absence of further disappointing developments. After one year, the average return was 14.6%. By comparison, the average return across all rolling 12-month periods was 12.4%..

This is not to imply we're "out of the woods" when it comes to a market downturn. The12-month market return was negative for two of the 21 events. There's always the possibility for worse-than-expected developments, which might provoke further negative reaction from markets. But the takeaway from these data is that investors shouldn't shy away from stocks during a period of global conflict. OOO

Exhibit 1

Average US Stock Market Returns Following Major Geopolitical Events

1990–2025



Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

In USD. US Market is represented by the Fama/French Total US Market Research Index. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. See "Index Descriptions" for descriptions of the Fama/French index data. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.The chart is for illustrative purposes only and is not indicative of any investment. The sample includes 21 geopolitical events. Geopolitical events and their start dates include: Gulf War, August 2, 1990; Asian currency crisis, July 2, 1997; 1998 Iraq disarmament crisis, February 18, 1998; Russian Financial Crisis, August 17, 1998; Kosovo bombings, March24, 1999; 9/11—terrorist attacks on the United States, September 11, 2001; Iraq War, March 20, 2003; Madrid bombings, March 11, 2004; London bombings, July 7, 2005; Iran nuclear tensions, July 31, 2006; Eurozone debt crisis, December 8, 2009; Arab Spring (Egypt), January 25, 2011; Libya intervention, March 19, 2011; 2014 Ukraine conflict, February 20, 2014; intervention in Syria, September 22, 2014; Paris attacks, November 13, 2015; Brexit vote, June 23, 2016; air strike on Syrian air base, April 7, 2017; North Korea nuclear test, September 3, 2017; Russia invades Ukraine, February 21, 2022; Israel-Hamas conflict, October 7, 2023. Events are selected to include major armed conflicts and notable upheavals and are not inclusive of all possible market events. Source: S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Still on Track for a Good Year

I've said many times in this space that the secret to weathering market volatility is leaving your account statements unopened more often. This may have saved many investors from downing the antacids last Friday.

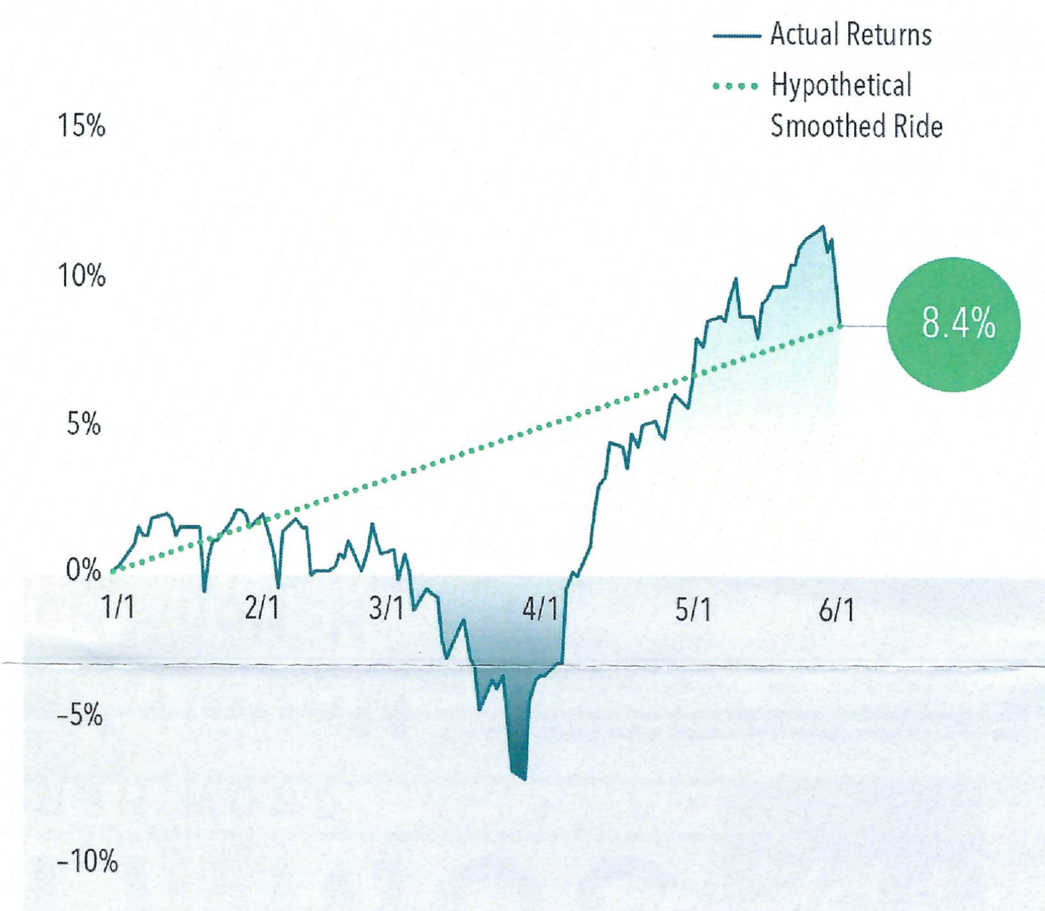
The S&P 500 Index dropped 2.63% on June 5, placing it among the worst of the index's daily returns over the past 30 years.1 That stinks. But what doesn't stink is zooming out and seeing how strong the index's performance has been. A cumulative return of 8.4% is a good start to the year considering the long-term annualized return has been 10.6%.2

Most of us would have gladly signed up in advance for that type of performance over the first 112 trading days of 2026, especially if accompanied by the knowledge that we'd have an ongoing war as a backdrop. The ride has been bumpy, but that's what distracts from the long-term view. If we had received the same cumulative return at a constant, moothed delivery, imagine how thankful stock investors would be. And remember, tolerating the bumps is part of what earns you the equity premium.

So, sit back, ignore those pesky market update emails, and focus your attention on more important things, like catching up on Widow's Bay episodes. OOO

Exhibit 1

S&P 500 Index Year-to-Date as of June 5, 2026



Past performance is not a guarantee of future results. Actual investment returns may be lower.

In USD. Returns from FactSet. Smoothed ride assumes cumulative return as of June 5 was compounded at a constant daily rate. The smoothed ride is not indicative of any investment. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. S&P data © 2026 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

1. *Based on daily returns from June 10, 1996, to June 5, 2026.*
2. *Cumulative return is as of June 5, 2026. Long-term annualized return covers the period from January 1, 1996, to May 31, 2026.*
3. *Except Above the Fray.*

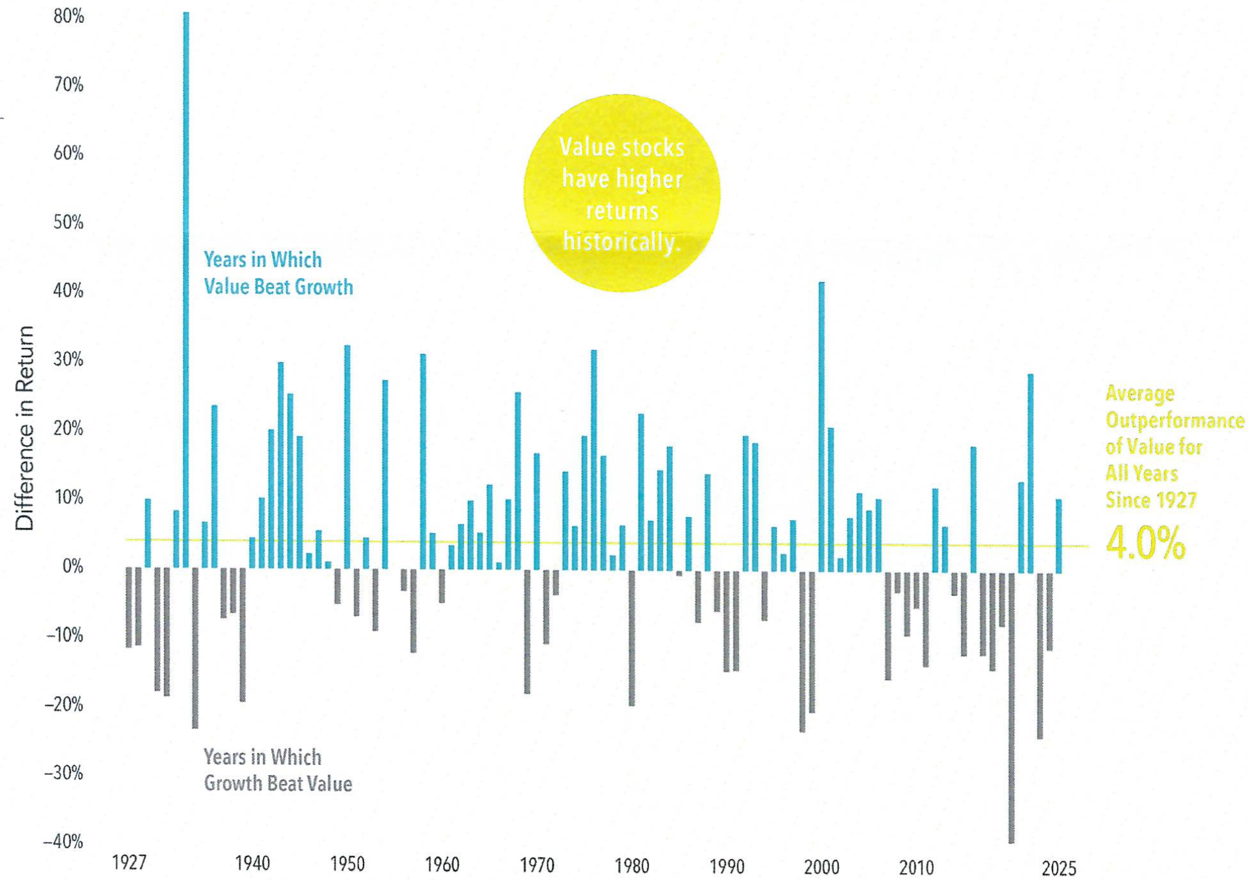
When It's Value vs. Growth, History Is on Value's Side

Historically, value stocks have outperformed growth stocks in the US, often by a striking amount. Data covering nearly a century backs up the notion that value stocks—those with lower relative prices—have higher expected returns. While disappointing periods emerge from time to time, the principle that lower relative prices lead to higher expected returns remains the same. Value premiums have often shown up quickly and in large magnitudes. For example, in years when value outperformed growth, the average premium was nearly 15%. On average, value stocks have outperformed growth stocks by 4.0% annually in the US since 1927, as Exhibit 1 shows. OOO

Exhibit 1

Value Add

Yearly observations of premiums: value minus growth in US markets, 1927–2025



Past performance is no guarantee of future results. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful.

The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. Index returns are not representative of actual portfolios and do not reflect costs and fees associated with an actual investment

In US dollars. Yearly premiums are calculated as the difference in one-year returns between the two indices described. Value minus growth: Fama/French US Value Research Index minus the Fama/French US Growth Research Index.

Fama/French US Value Research Index: Provided by Fama/French from CRSP securities data. Includes the lower 30% in price-to-book of NYSE securities (plus NYSE MKT (formerly AMEX) equivalents since July 1962 and Nasdaq equivalents since 1973).

Fama/French US Growth Research Index: Provided by Fama/French from CRSP securities data. Includes the higher 30% in price-to-book of NYSE securities (plus NYSE MKT (formerly AMEX) equivalents since July 1962 and Nasdaq equivalents since 1973).

Results shown during periods prior to each index's inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gain.

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