Quarterly Commentary
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The Best Benchmark Isn't Always the S&P 500®

How is your portfolio doing? It's a question that nearly everyone asks themselves, and their financial advisor. Often, the answer that's given is how their returns compare to that of the S&P 500® Index. A lot of people, including advisors and the financial media, treat the ubiquitous S&P 500® as a proxy for stocks, or even the entire "market," and thus something of a scorecard to measure outcomes. Focusing on the S&P 500® can divert your attention toward short-term market drama and result in potentially bad, emotion-driven decisions. The question that actually matters is whether your financial plan is keeping you on track to achieve your financial goals. Here, we present a primer on this underutilized strategy and explain what it may offer that other vehicles do not.

The S&P 500® measures only 500 of the largest publicly traded U.S. companies. Nothing more. It does not include all the other U.S. stocks, from small-cap to large-cap. It doesn't have international equities from either developed or emerging markets. It does not include fixed income, cash, real estate, shorts or hedged positions, privately held investments, commodities, or any other alternative asset class. That's one big reason the S&P 500® is an incomplete yardstick. Maybe even more importantly, the Index has no direct connection to your personal goals, your need for income, your time horizon, your tax situation, your tolerance for risk, or any other metric that's important to you.

As we wrap up 2025 and look ahead to 2026, let's dig into the shortcomings of the S&P 500® as a portfolio benchmark and discuss how you can understand what a better measuring stick might be for you.

What the S&P 500® Is, What it Isn't, and Why Both Are Especially Important Right Now

The S&P 500® is a market-cap-weighted index of 500 large U.S. companies. Being cap-weighted means it's a concentrated slice of the large-cap U.S. universe, especially in late 2025. We've all seen how a few mega-cap names, whether it's the "Magnificent Seven"[1] or the top 10 stocks, have defined the index and its upward momentum during this bull market.

> *"The purpose of your portfolio isn't to 'beat the S&P.' It's to help you meet your financial goals — with steady progress, downside protection, and enough flexibility to handle the unexpected. So the next time you see the S&P 500® scroll across your screen, treat it for what it is: an economic signal, not your personal scorecard."*
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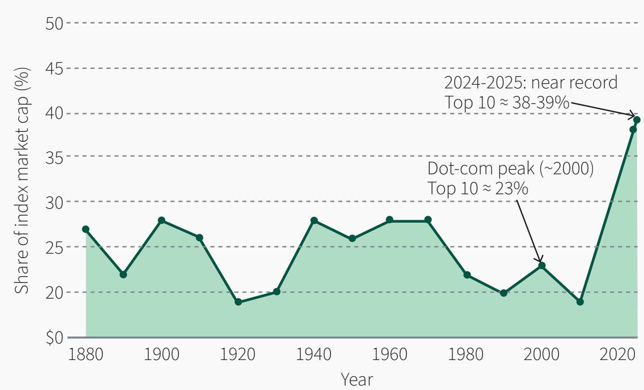
> —Patricia Jennerjohn, CFP®, Focused Finances, LLC, September 5, 2025

For about 140 years, the top 10 stocks in the S&P 500® hovered somewhere between about 18% and 28% of the Index's weight. That's changed. As we closed out 2025, the top 10 accounted for just shy of 40% of the Index. When so much of the Index is concentrated in a handful of companies, the S&P 500® becomes less representative of the broader economy and more vulnerable to the fortunes of those few stocks. A sharp move in one or two of those key names can swing the entire Index, masking weakness elsewhere and amplifying volatility. For investors using the S&P 500® as a benchmark, that concentration can create a false sense of success or failure—because the Index's performance increasingly reflects the biggest names, not a diversified market.

S&P 500® Market Concentration: Share of Top 10 Companies(1880-2025)



Sources: Visual Capitalist (data via Finaeon/S&P/Citi) for 1880-2024; us500/SlickCharts-based calculation for 2025

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Redefining Success: Your Plan as the Benchmark

So, what is a better measure of progress than the S&P 500®? Your plan. A retiree's plan might aim for steady withdrawals of 5% per year while preserving principal. If his or her portfolio achieves that, it's successful, regardless of how the S&P 500® performed. A younger investor may care more about tax efficiency and compounding than short-term returns. If the plan is maximizing those outcomes, it's working. Redefining success around your plan shifts the conversation from chasing market performance to focusing on progress toward your goals. That's a healthier, more productive way to measure investing outcomes, in our view.

A plan-based benchmark uses metrics that take your goals into account, as well as the costs and risks of reaching those goals. Instead of asking, "Did I beat the market?" ask, "Am I staying aligned with my plan?" Consider:

- **Cash flow resilience:** Will your portfolio generate the income you need, when you need it?
- **Risk discipline:** Is your portfolio staying within the risk budget you set, avoiding outsized losses that could derail your plan?
- **After-tax outcomes:** Are you keeping more of what you earn by managing taxes efficiently?
- **Goal alignment:** Are you on track for milestones like retirement, education funding, or major purchases?

These measures are far more relevant than a quarterly comparison to a stock index. They provide clarity about whether your portfolio is serving your financial goals, not just keeping pace with headlines.

Changing the Investor Mindset

The beauty of this perspective is that it can reduce anxiety and help keep your emotions in check. It can build confidence. Seeing that success is measured by your own goals can help you become less reactive to headlines and more disciplined in your decisions. You understand that your portfolio isn't chasing the market — it's serving your financial future.

We believe the keys to success in investing include having a solid plan, the appropriate support, and enough time to let your investments grow. At NewSquare Capital, we recommend working with a trusted advisor who can help you define your needs, goals, and unique circumstances. Together, you design a

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plan which seeks to fund your goals, reflect your values, and provide confidence in your financial future. Success will be measured by how your portfolio makes progress toward reaching your financial goals, not by comparing it to a narrow slice of the market. This approach emphasizes discipline, patience, and trust in the stated plan. It also involves perspective: markets will rise and fall, sometimes dramatically, but your plan should be designed to weather those cycles. A good advisor will act as a valuable coach, keeping you focused on your plan, helping you avoid emotion-driven decisions, and maintaining confidence through volatility. From there, you can measure success by your progress toward those outcomes, not by relative performance against the S&P 500®.

Market Review: Fourth Quarter 2025

U.S. equities managed modest gains in a volatile fourth quarter, and the S&P 500® closed out 2025 with a double-digit gain for the third consecutive year. Better-than-expected earnings and forecasts, along with three interest-rate cuts from the U.S. Federal Reserve (starting in September), helped lift stocks as investors weighed the impacts of ever-changing tariffs and Fed policy across the period. Sentiment around technology and artificial intelligence stocks, which continued to drive gains, shifted during the final quarter, as fears of an AI bubble and concerns around valuations weighed on markets at times. (The "Magnificent Seven" stocks have risen more than 600% since the end of 2019, while the S&P 500® has gained more than 110%.) The S&P 500® modestly trailed developed market, non-US stocks, and emerging market (EM) stocks during the quarter. For the full year, EM equities outperformed, aided by a weaker U.S. dollar and investors' efforts to diversify away from U.S. stocks amid trade and tariff uncertainty, as well as historically high valuation premiums.

Bond markets remained choppy, with yields fluctuating as the Federal Reserve balanced inflation risks against a softening labor market. The Fed's cuts signaled the central bank's willing-

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ness to prioritize employment over inflation. The yield on the 10-year U.S. Treasury note declined in the fourth quarter (and across the year) amid shifting expectations for Fed policy and concerns about rising government debt levels.

Commodities markets advanced modestly during the quarter, lifted, as they were during most of 2025, by precious metals, as investors sought safe-haven assets in the face of political turbulence, inflation, and the weakening dollar. The Bloomberg Commodity Index closed the year up approximately 15%, in spite of weakness in oil prices, which dipped in the final quarter and throughout 2025, as investors worried about a potential supply glut. West Texas Intermediate crude prices fell to four-year lows in December, below $55 dollars per barrel.

[1]A group of seven large, influential, and high-performing technology-focused companies, that hold massive influence over indices like the S&P 500. The seven companies are Alphabet, Inc (GOOG) , Amazon (AMZN), Apple Inc (AAPL) , Meta Platforms, Inc (META) , Microsoft Corp (MSFT), Nvidia Corp (NVDA), and Tesla Inc (TSLA).

Indexes referenced:

The S&P 500® index is widely regarded as the best single gauge of large-cap US equities.

The Index includes 500 leading companies and covers approximately 80% of available market capitalization.

The Bloomberg Commodity Index: The Bloomberg Commodity Index is a broadly diversified commodity price index. It tracks the prices of futures contracts on physical commodities on the commodity markets.

Additional statistical data sourced from: Bloomberg Finance, LPL Research, Morningstar, and NewSquare Capital, LLC.