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CHIEF INVESTMENT OFFICE

Equity Spotlight

Reiterating Our Positive View on Large-cap Value

All data, projections and opinions are as of May 8, 2025 and subject to change.

We believe a market rotation is already happening, with a more diversified set of leaders still being one of the top themes for 2025. Large-cap Value stocks have held up the best in the domestic equity category year-to-date (YTD)[1] and we believe many of their positive attributes are likely to continue serving investors well in 2025. We believe Large-cap Value stocks offer sector diversification with less exposure to sectors that are more vulnerable to slowing growth. To emphasize the opportunity for diversification, it is important to recognize that the sizeable outperformance of a small group of seven mega cap growth stocks (Magnificent 7[2]) has led to a period of extreme index concentration in recent years. This concentration creates heightened concentration risk. If any of the dominant growth stocks face headwinds—such as regulatory challenges, market saturation or increased competition—it can have an outsized impact on the entire index. As Exhibit 1 demonstrates, the Large-cap Value Index is more broadly diversified across sectors, potentially reducing exposure to volatility from any one sector or stock.

Exhibit 1 – The Value Index Is More Broadly Diversified Across Sectors.

Sector	Russell 1000 Value Sector Weight (%)	Russell 1000 Growth Sector Weight (%)	Difference in Sector Weight (%)
Communication Services	4.55	12.75	-8.20
Consumer Discretionary	5.76	14.88	-9.12
Consumer Staples	8.15	3.85	4.30
Energy	7.09	0.53	6.56
Financials	23.24	7.66	15.57
Health Care	14.78	7.84	6.94
Industrials	14.06	4.86	9.20
Information Technology	8.65	46.17	-37.52
Materials	4.18	0.65	3.53
Real Estate	4.73	0.57	4.16
Utilities	4.81	0.22	4.59

Source: FactSet. Data as of March 31, 2025. It is not possible to invest directly in an index. Please refer to index definitions at the end of this report. **Past performance is no guarantee of future results.**

Tariffs on China goods and slowing profit growth are likely to impact Consumer Discretionary spending. The Russell 1000 Growth Index has had nearly 15% weight in Consumer Discretionary stocks, while the Russell 1000 Value Index has had less than half at nearly 6%. According to BofA Global Research, 76% of the Value Index 2024 net

[1] Data as of May 1, 2025.
[2] Apple, Amazon, Alphabet, Nvidia, Meta, Microsoft, and Tesla.

CIO ASSET CLASS VIEWS

Asset Class	Underweight		Neutral	Overweight	
Global Equities				●	
U.S. Large-cap Growth				●	
U.S. Large-cap Value				●	
U.S. Small-cap Growth				●	
U.S. Small-cap Value				●	
International Developed			●		
Emerging Markets			●		

Source: Chief Investment Office as of May 6, 2025.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

CIO EQUITY SECTOR VIEWS

Sector	Underweight		Neutral	Overweight	
Financials				●	
Utilities				●	
Consumer Discretionary				●	
Communication Services			●		
Information Technology			●		
Healthcare			●		
Industrials			●		
Real Estate			●		
Consumer Staples		●			
Energy		●			
Materials		●			

Source: Chief Investment Office as of May 6, 2025. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Please see last page for important disclosure information.

income was in nondiscretionary goods/services versus 56% for the Growth Index. The Value Index also had significantly less exposure to Technology stocks at 9% versus 46%. The pullback in mega-cap Growth stocks has been a material driver of weak returns YTD and it underscored the importance of avoiding overexposure to any one area of the market. Financials had the largest weight in the Value Index at 23%, and we continue to emphasize exposure to Financials, as current rates and a steeper yield curve will likely drive strong spread revenue and help credit risk and default rates going forward. Lastly, the Value Index had about twice the exposure to defensive Consumer Staples stocks than in the Growth Index at around 8.5%. Should the economy slow, revenues and profits for Consumer Staples companies should be more resilient.

With respect to valuation, Value continues to trade at a relative discount to Growth. According to Factset, the Value Index traded at a 43% discount to the Growth Index on a trailing price-to-earnings (P/E) ratio basis as of May 7, 2025. Despite the pullback in growth stocks YTD, the Growth Index traded at a 15% premium to its 10-year average P/E of 27.8x. The premium on the Value Index was lower at 10%.

In a slowing economy with market uncertainty, equity investors may seek the shelter of cash dividends. The Value Index held more dividend-oriented stocks which are attractive in the current environment. The Value Index has offered more yield than the Growth Index at 2.9% versus 0.6%.[3] In addition, BofA Global Research recently illustrated dividends in the Value Index are less likely to be cut as compared to the Growth Index.

Active[4] management performance within Large-cap Value versus Large-cap Growth has been quite favorable. A less concentrated index has also led to better active management performance, a key consideration when selecting between passive[5] and active managers in this category. Over a 10-year period, almost 70% of Large-cap Value managers outperformed the Value Index benchmark versus only 10% of Large-cap Growth managers outperforming the Growth Index benchmark, according to Lipper.

Conclusion. Growth stocks have significantly outperformed Value for more than a decade which may have led to more exposure to growth stocks in client portfolios. Given the high concentration risk in the Growth index, diversifying into Value stocks can balance risk by reducing reliance on a few high-technology stocks and sectors. This diversification can help smooth out performance across different market conditions and potentially dampen volatility.

[3] Data as of May 7, 2025.

[4] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

[5] Passive management is a strategy that focuses on replicating a specific market index or benchmark rather than trying to actively outperform it.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity market. It specifically includes those companies within the Russell 1000 index that exhibit higher price-to-book ratios and forecasted growth. This index is designed to provide a comprehensive and unbiased representation of the large-cap growth segment.

Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years).

Russell 1000 Value Sector Index is a stock market index that tracks the performance of large-cap value stocks within the Russell 1000 Index. It specifically includes companies that are considered to have lower price-to-book ratios, lower expected and historical growth rates, and other value-related characteristics. The index is designed to provide a benchmark for investors seeking to measure the performance of the large-cap value segment of the U.S. equity market.

Russell 1000 Growth Sector Index measures the performance of the large-cap growth segment of the U.S. equity market. It includes companies within the Russell 1000 Index that exhibit higher growth characteristics, such as price-to-book ratios, predicted growth rates, and historical sales growth. The index is a benchmark for large-cap growth stocks and is used by investors and fund managers to track and evaluate their investment performance.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®), including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.

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