

JUNE 2024

MORAN MONTHLY DIGEST

Insights From Our Founder

Dear Clients,

I hope this message finds you enjoying a relaxing summer, filled with travel and quality time with family and friends.

In our market commentary this month, a recurring theme continues to dominate the markets: the stark contrast between the mega-cap leaders like Apple, Microsoft and NVIDIA, and the wider market.

The chart below illustrates this point clearly. It captures the ongoing divergence within the stock market by tracing the performance paths of the cap-weighted S&P 500 Total Return (grey line), the S&P 500 Equal Weight Total Return (yellow line) and the Russell 2000 Total Return (blue line), which tracks small-cap stocks.



Thomas M. Moran AIF®

Chairman | CEO | CIO



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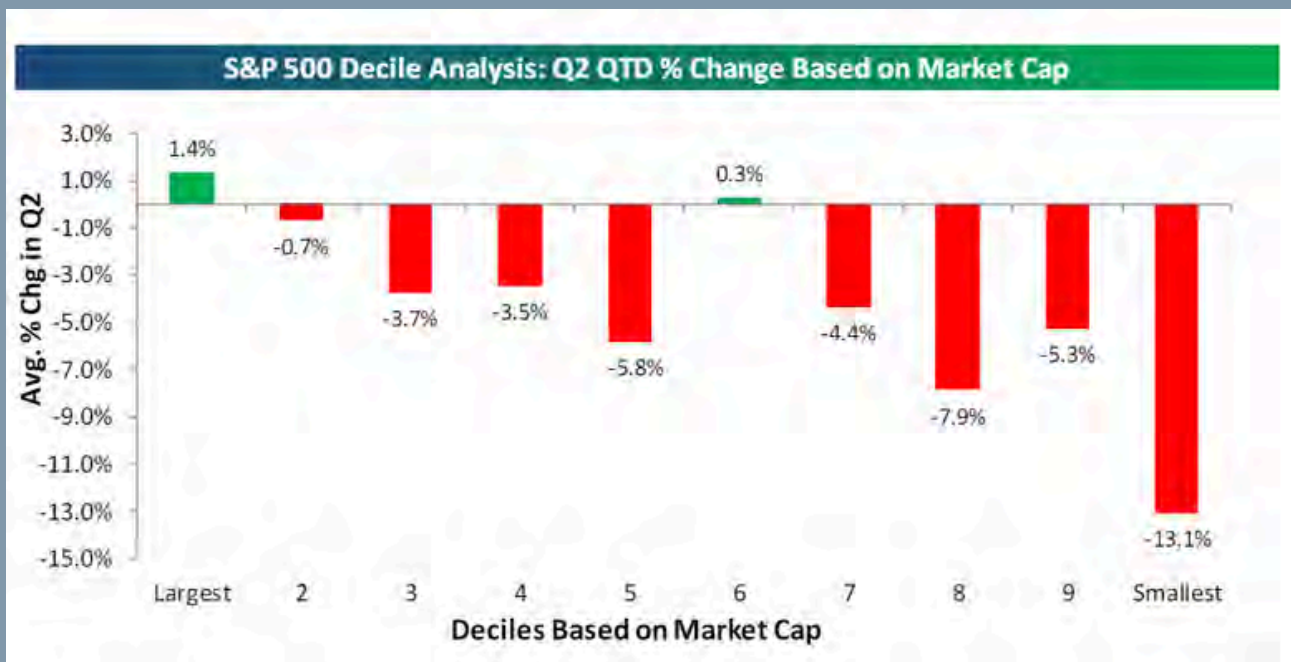
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Insights From Our Founder Cont.

The key issue here is that while the mega-cap behemoths are driving record market highs, the average stock, particularly those in the small-cap sector, is lagging significantly.

This means that the performance of the S&P 500 is heavily skewed by a small group of stocks at the top, with a level of concentration that is unparalleled. The largest three stocks—Microsoft, Apple, and NVIDIA—now account for over 20% of the total S&P 500 market capitalization. This scenario contrasts starkly to 1999, when the index was comparatively less top-heavy, with the leading three stocks at the time—Microsoft, General Electric, and Exxon—comprising just about 9% of the market cap. This dramatic shift towards a few dominant players not only highlights a significant change in market structure but also introduces greater susceptibility to volatility, as the fortunes of the index become increasingly tied to the performance of these few giants.

For instance, while the S&P 500 Total Return has increased by over 4% this quarter, the average stock within it has declined by nearly 3%. The chart below reveals that only the largest stocks are posting meaningful gains this quarter, with only the top decile showing a positive average return. By stark contrast, the smallest stocks in the decile are facing significant downturns, with a decline of over 10%.



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Insights From Our Founder Cont.

This trend, where size matters significantly, even extends to the specialized AI sector. The largest AI stocks, with market capitalizations exceeding \$1 trillion, are performing robustly, whereas smaller AI stocks, with market capitalizations below \$1 trillion, are facing severe declines.

These market conditions raise concerns about the overall health and stability of the stock market. Historical market trends suggest that such disparities between market indices are typically unsustainable. Reflecting on the dotcom era provides a compelling case study. During this period, like current dynamics, the S&P 500 was predominantly driven by substantial gains in major tech stocks which soared over 25% from early 1999 to March 2000. The equal-weighted index remained relatively stagnant. However, as the tech-heavy stocks faced significant downturn during the dotcom crash, the equal-weighted index eventually outperformed and yielded double-digit returns.

We might be nearing a point where underperforming sectors and smaller-cap stocks could rebound, offering a much-needed counterbalance to the recent tech-driven rally. This possible reversion underscores the importance of diversification in your investment strategies and the need to spread investments across different sectors and market caps to mitigate risks.

Moreover, the dramatic performance differences between large-cap growth and small-cap value stocks over the past two years highlight critical considerations for market positioning. Large-cap growth stocks surged over 23% this year, while small-cap value stocks have declined by nearly 7%. Careful consideration of your market position is essential to avoid exposure to potential downturns in overvalued sectors.

We encourage you to reach out to your advisor at Moran Wealth at any time to discuss your current portfolio or to explore potential allocation adjustments. Our team is here to provide you with the personalized support you deserve. From everyone at Moran Wealth, we wish you all a wonderful summer and look forward to serving you.

Warmest Regards,
Tom Moran



[Gulfshore Business 2024 Best Places to Work](#)

We're thrilled to announce that Gulfshore Business has named Moran Wealth one of the **Best Places to Work in Southwest Florida!** We ranked #1 for financial services and #3 overall in the region.

We'd like to express our gratitude to our dedicated team, whose hard work and commitment have made this achievement possible.

You can find the full article of winners [here](#).



FEATURED STRATEGY



Global Balanced (GBAL)

This month we would like to highlight our **Global Balanced (GBAL) strategy**:

The **Global Balanced strategy** seeks to optimize returns in a risk-controlled framework, delivering consistent added value over a full business cycle.

What is **GBAL**?

- Designed to capture the benefits of diversification and the advantages that come from the dissimilarity in return patterns across different asset classes.
- Invests in U.S. equities, international equities, and fixed income securities.
- In addition to strategic allocation, the strategy utilizes tactical active risk management driven by an informed view of current market conditions.

The strategy is a complex investment vehicle and may not be suitable for all investors. It does not represent a complete investment program.

For more information on **GBAL** and other strategies, please visit: [Moran Wealth Strategies](#)

Your financial advisor will begin building your portfolio by first identifying your unique investment style based on a variety of factors, such as income, risk tolerance, diversification, investment and financial goals, and preferred market exposure. This will help us select a suitable strategy for you, allowing us to use a personalized approach to asset allocation and securities selection that meets your needs and yields the desired short-and long-term results.

PHILANTHROPY



Featured Charity

Philanthropic giving is one of the many ways we can make a difference in our community. At Moran Wealth Management®, we are privileged to have served over 30 charities and counting through financial donations and volunteer efforts.

We seek to bring awareness, advocacy, and resources to those in need. Today we would like to highlight **Jewish Federation of Greater Naples**.

The Jewish Federation of Greater Naples is the center for Jewish philanthropy and involvement in greater Naples. The Federation creates a sense of community for thousands of Jewish residents in Greater Naples and its surrounding areas by creating and supporting programs to further Jewish learning, identity, pride, and culture. Federation meets the challenge of providing for the needs of our Jewish brethren, wherever they may be, from young children and families to seniors.

To learn more about this organization, please visit: <https://www.jewishnaples.org/>

Please feel free to call us to schedule a private meeting at [239.920.4440](tel:239.920.4440).

To learn more about Moran Wealth Management® visit our [services page](#) for more information.

Stop by our office at 5801 Pelican Bay Blvd Suite 110 Naples, FL 34108.

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