MORAN
WEALTH MANAGEMENT®

Monthly Digest

OCTOBER 2025

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Your Vision. Our Solutions.

THOMAS M. MORAN, AIF®
CHAIRMAN | CEO | CIO

Insights From Our Founder

One of the most important dynamics in U.S. equities over the last several years has been the widening performance gap between the S&P 500 Index and the S&P 500 Equal-Weight Index. Although both contain the same 500 companies, the traditional S&P 500 is cap-weighted, meaning returns are driven disproportionately by the largest constituents. In contrast, the equal-weight version assigns each company roughly the same 0.2% weight.

This concentration story has been covered at length; however, we think it is useful to look beyond the headline and examine how similar market structures have behaved in the past and what that may mean going forward.

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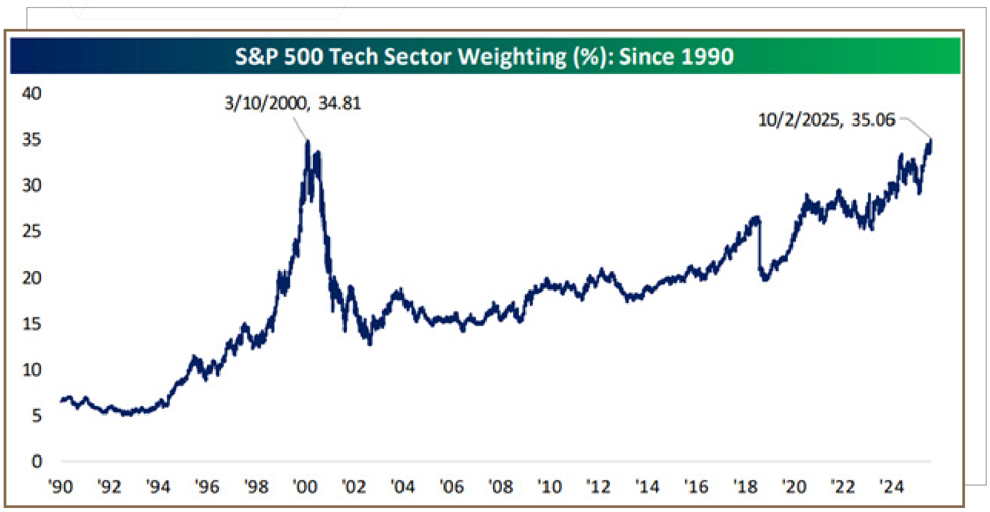
CONCENTRATION AT HISTORIC EXTREMES

This divergence has been driven largely by the rise of the "mega-caps," commonly referred to as the Magnificent 7. As of late October 2025, Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla together represent over 35% of the S&P 500's total market capitalization, up from roughly 28% in 2023.

More broadly, today's S&P 500 is heavily tilted toward technology: as of October 2025, the sector represents approximately 35.1% of the index, surpassing the 34.8% peak seen during March 2000 at the height of the Dot-Com bubble.



Source: Bespoke

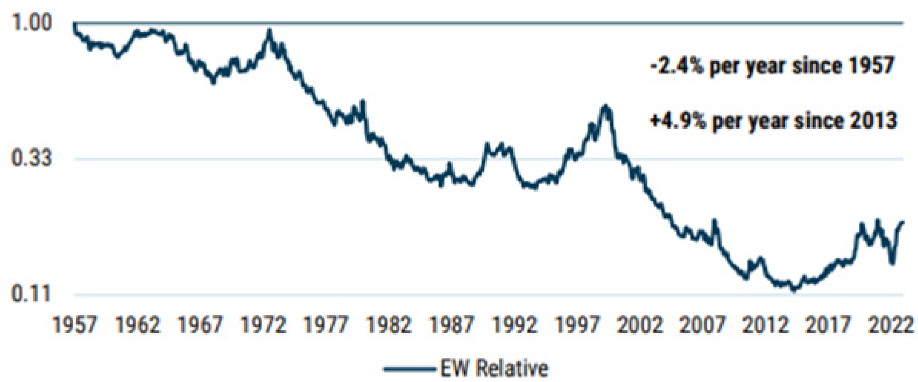
This means that a passive S&P 500 investor today is making one of the largest implicit bets on tech in index history. Put differently, owning an S&P 500 fund today looks more like a concentrated growth allocation, rather than the broad diversification many investors expect.

LEADERSHIP PERSISTENCE—AN HISTORICAL OUTLIER

Historically, market leadership has been broad rather than concentrated. Since 1957, the ten largest S&P 500 stocks have historically underperformed the equal-weighted basket of the remaining 490 stocks by roughly 2.4% per year.

Yet over the last decade, this relationship reversed: the ten largest stocks have outperformed by ~4.9% per year. This surge has been driven mainly by big technology companies powering cloud computing and artificial intelligence.

EXHIBIT 2: S&P500 – TOP 10 VS. 490 EQUAL WEIGHTED



Data from 1957-2023 | Source: Compustat, Standard & Poors

Long-term return patterns reinforce this message. Over the 10-year period ending September 30, 2025, the traditional S&P 500 returned roughly 15.39% annually, while the Equal-Weight Index returned about 12.30% annually.[1] However, over a longer horizon—from January 2003 through April 2023, which captures nearly 20 years of live history—the Equal-Weight Index returned approximately 11.5% per year, versus 10.3% per year for the traditional S&P 500.[2] This illustrates that although recent leadership has been unusually concentrated, long-run outcomes have favored a broader, equal-weighted exposure.

NARROW LEADERSHIP HAS PRECEDENT: THE NIFTY FIFTY AS A CASE STUDY IN MEAN REVERSION

A useful earlier precedent is the Nifty Fifty era of the early 1970s, when a narrow cohort of "one-decision" growth stocks — including IBM, Xerox, Coca-Cola, Avon, and Polaroid — came to dominate market leadership. At their peak, the largest companies collectively represented nearly 30% of U.S. market capitalization, with many trading at P/E ratios exceeding 50–60x despite solid but unspectacular earnings growth.

[1] *Invesco*
[2] *S&P Global*

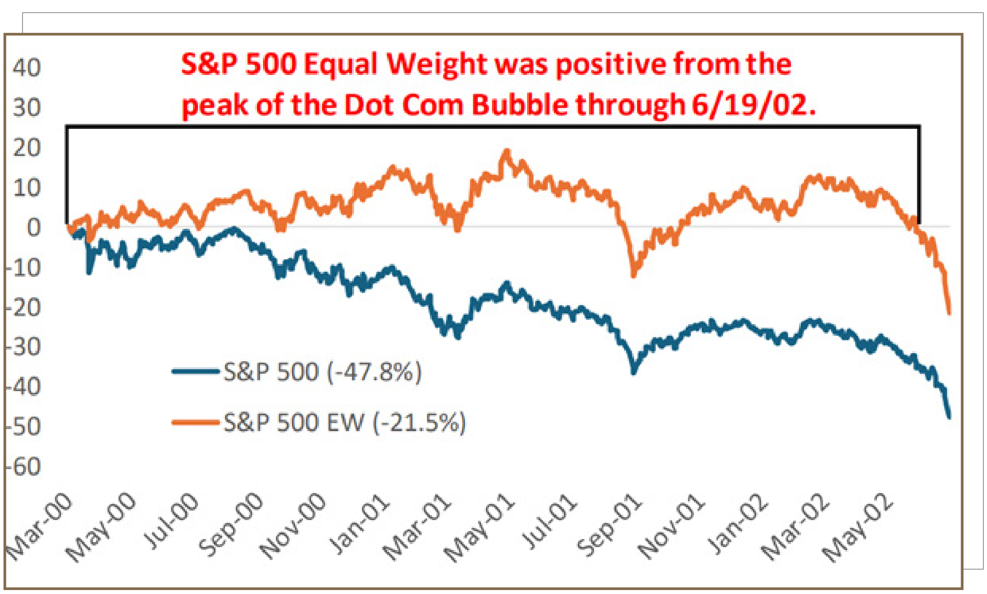
Although these were genuinely strong businesses, valuation and concentration risks proved significant headwind: across the subsequent decade, many Nifty Fifty leaders underperformed the broader market despite continued revenue growth. As Jeremy Siegel's 2001 analysis showed, even firms that remained fundamentally healthy delivered sharply lower returns once expectations and valuations reverted.

This episode underscores a recurring pattern: great companies can be poor investments when concentration and valuation stretch too far, and leadership cycles rarely persist indefinitely.

WHY THESE PARALLELS MATTER: RECALLING THE DOT-COM ERA

The most recent time market concentration reached similar extremes, the results were starkly divergent between the S&P 500 and the equal-weighted S&P 500.

During the Dot-Com unwind (March 2000–June 2002), the S&P 500 declined ~47.8%, while the S&P 500 Equal-Weight Index fell only ~21.5%—a nearly 26-percentage-point performance gap. Notably, the Equal-Weight Index was actually positive from the market peak through 6/19/02, underscoring that broad participation and smaller-cap leadership helped mitigate downside.



Source: Bespoke

Said differently, investors who owned a diversified, equal-weighted basket avoided much of the pain because the collapse was concentrated in the mega-cap growth stocks that had dominated the index on the way up.

The takeaway is not that the current market must follow that same path, but that when concentration becomes extreme, returns become more idiosyncratic and index-level outcomes hinge disproportionately on a small group of names.

WHAT COMES NEXT?

So, is this time different? In some respects, yes. Today's market leaders are far more mature than their Dot-Com predecessors. These are real businesses with real cash flows, and the rapid build-out of AI infrastructure could support durable productivity gains and earnings growth over time. That said, it is still too early to know whether current AI-related enthusiasm will ultimately prove justified, over-extended, or somewhere in between.

The lesson from the Dot-Com unwind is not that megacaps inevitably falter, but that concentration carries risk. When a small group dominates market returns, performance can become uneven and future outcomes harder to forecast. If leadership does reverse, investors who are heavily exposed through traditional cap-weighted indices are most vulnerable, while equal-weight and diversified approaches have historically offered better downside protection in similar periods.

Given how dominant a handful of companies have become, investors may want to reconsider how much of their portfolio is implicitly tied to just a few names—whether intentionally or not. Concentration at current levels leaves less room for error. The coming years will reveal whether AI-driven earnings can sustain this narrow leadership or whether market participation will broaden, as history often suggests. Either outcome underscores the value of maintaining a diversified posture and being thoughtful about where risk is concentrated. In the meantime, we will continue to monitor these dynamics closely and adjust positioning as the opportunity set evolves.

CLIENT UPDATES

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Important Year-End Required Minimum Distribution Information

The deadline for the Required Minimum Distribution (RMD) is December 31, 2025.

It's crucial to note that the IRS imposes penalties for missed distributions, which is why we aim to process all distributions by mid-December.

If we have processed an IRA distribution for you in the past, we may already have the necessary paperwork on file to proceed in accordance with those specific instructions.

New paperwork is required if you would like to change the federal tax withholding or if you have changed the receiving checking account this year.

You may elect to donate directly to a charitable organization from your IRA, also known as Qualified Charitable Distribution (QCD). It's always best practice to contact your tax professional to see how you may benefit from charitable giving. We recommend initiating the request early to ensure timely processing.

If you call our office and your primary contact is unavailable, we invite you to speak with any other qualified associate. Any of our operations team members can provide the exceptional service to which you are accustomed. Kindly contact us at 239.920.4440.

Required Minimum Distribution Checklist

Deadline: December 31, 2025

1. Confirm your RMD amount
   - ☐ Review your IRA, 401(k), or other retirement account statements.
   - ☐ Your custodian can provide the required distribution amount.
2. Check paperwork on file
   - ☐ If you've taken an RMD in prior years, paperwork may already be in place.
   - ☐ New forms are required if you've changed your federal tax withholding or the receiving bank account.
3. Consider charitable giving
   - ☐ You may elect to make a Qualified Charitable Distribution (QCD) directly to a charity from your IRA.
   - ☐ Always consult your tax professional to determine if this strategy benefits your situation.
4. Plan ahead for processing
   - ☐ We recommend submitting RMD requests by mid-December to ensure timely completion.
   - ☐ The IRS imposes penalties for missed RMDs, so early action is important.
5. Know who can help
   - ☐ If you have any questions or would like to request processing, please contact our office.

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Missed Our Client Digital Protection Seminar?

Cyber threats continue to evolve, yet the core principles of strong digital protection remain consistent. The presentation emphasized how breaches often occur through weak passwords, unsecured Wi-Fi connections, smart-home vulnerabilities, and the sharing of personal information on social media.

KEY TAKEAWAYS

- Create unique and complex passwords for every account, and store them securely using an encrypted password manager.
- Use a virtual private network (VPN) whenever you connect through public Wi-Fi or travel.
- Keep all smart-home and connected devices updated and actively monitored to help reduce exposure to cyber risks.
- Be mindful of the personal information you share online, including details about your location and family.
- Review your credit reports on an annual basis and monitor for potential title fraud or dark web activity.

The discussion reinforced that protecting your family's digital footprint does not have to be complicated or expensive. It involves combining practical habits with the right technology to help strengthen your security.

TO LEARN MORE

- How to Protect Yourself from AI – Voice Deepfake
- 16 Billion Reasons to Strengthen Your Digital Defenses

The cybersecurity expert featured was an independent third-party professional, not affiliated with Moran Wealth Management®. Their insights were shared for educational purposes only.

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The Start of Our Fall Seminar Series has Officially Begun!

These educational sessions offer an opportunity to hear directly from Tom Moran, AIF®, ask questions, and engage with our team on current market trends. Click here to reserve your seat today.

Prefer a one-on-one conversation? We would love to connect with you. Schedule a complimentary meeting with our team. No sales pitch, no pressure, just a genuine discussion about your goals and how we might be able to help.

For additional perspectives, explore our Insights page for educational podcasts, videos, and articles from our team.

At Moran Wealth Management®, our goal is to help you navigate your financial life with clarity, offering expertise, education, and guidance to support your financial journey.

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Celebrating Professional Excellence

Congratulations to Christian Pineda, ChFC®, on earning his Chartered Financial Consultant® designation!

Awarded by The American College of Financial Services, the ChFC® represents advanced study in comprehensive financial planning, including taxation, estate strategies, and wealth management. This accomplishment reflects Christian's dedication to continuous learning and his commitment to serving clients with depth, integrity, and excellence.

At Moran Wealth Management®, ongoing education is fundamental to the insight and guidance we provide. Each new achievement within our team strengthens the collective expertise that helps our clients make informed decisions about their financial futures.

To learn more about Christian and the rest of our team, visit our website.

LEARN MORE ABOUT CHRISTIAN HERE

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Strengthening Our Operations Team

Moran Wealth Management® is proud to welcome Braden Langeloh as a Client Operations Specialist. In his role, Braden supports advisors and their clients across a range of operational functions, including account servicing, money movement, documentation, and administrative coordination. His disciplined approach and commitment to precision strengthen the firm's ability to deliver a high standard of service across each stage of the client relationship.

A graduate of Florida State University with a Bachelor of Science in Finance, Braden began his career at Fidelity Investments, where he earned his Series 7 and Series 66 licenses. His background spans financial analysis, credit evaluation, and operational strategy. This experience strengthens Moran Wealth's foundation of excellence in client service and execution. Braden's analytical mindset and client-first focus reflect the firm's dedication to providing thoughtful, detail-driven support that helps investors pursue clarity and success in their financial lives.

LEARN MORE ABOUT BRADEN HERE

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Exploring New Avenues for Growth? We're Here to Guide You.

Understanding how markets evolve is essential to building a durable investment strategy. At Moran Wealth Management®, we recognize that effective portfolio management involves balancing opportunity with discipline; knowing when to seek growth and when to preserve what you've earned. To support that balance, we've developed a series of educational resources designed to help you think more strategically about the forces shaping today's investment landscape.

Within this month's feature, you will find two short videos that walk through key concepts shaping today's market environment, highlighting both the opportunities and the challenges that can arise along the way. Are We Riding Momentum or Building a Bubble? examines how enthusiasm around artificial intelligence has influenced market leadership and investor behavior, while The New Inflation Era: Lessons from the Past, Strategies for the Future explores how maintaining consistency amid inflation and volatility can help investors navigate uncertainty.

These topics are part of a broader conversation about aligning assets with purpose and timeframe. Our advisors are available to discuss how these principles relate to your overall financial plan.

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Building A Secure Retirement Plan

Recent data from Mercer and PwC point to a growing shift in retirement behavior among high-net-worth individuals. Once characterized by predictable timelines and uniform strategies, retirement today is increasingly fluid. For households with more than $1 million in investable assets, wealth management now extends beyond traditional savings formulas to include multiple residences, business transitions, and philanthropic goals.

Industry research highlights several forces driving this evolution. SECURE 2.0 has expanded required minimum distribution timelines, while interest in private credit, real estate, and ESG-aligned portfolios continues to rise. Together, these trends reflect a broader desire for personalization and control. As Mercer reports, nearly half of high-net-worth investors are reconsidering their advisory relationships, seeking guidance that feels more independent, transparent, and tailored to their individual priorities.

CONTINUE READING ON OUR BLOG

HIGHLIGHTED STRATEGY

SMID

FEATURED STRATEGY

Small Mid Cap Strategic Beta (SMID)

The strategy seeks long-term capital appreciation and risk-adjusted returns that exceed that of the Russell 2500 Index over a full business cycle.

WHAT IS THE SMID STRATEGY?

- Invests in small- and mid-capitalization securities using a rules-based multifactor quantitative model.
- Companies are evaluated for inclusion based on factors including positive momentum, attractive valuations, strong fundamental qualities, favorable growth, and technical factors.

For more information on SMID and other strategies, please visit our website.

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.

Where
Strategy Begins

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