# The Anatomy of an Index

*The S&P 500 represents a large portion of the value of the U.S. equity market.*

Did you know that nearly $10 trillion in assets are benchmarked to the Standard & Poor's (S&P) 500 Composite Index, including about $3.5 trillion in index assets?[1]

**The S&P 500 is ubiquitous.**
It is constantly referenced in financial and non-financial media, and we may compare the return of our own investments to its performance. As the index represents approximately 80 percent of the value of the U.S. equity market (or about 80 percent of market capitalization), it may be worthwhile to gain a better understanding of its structure and workings.[1]

**Breaking down the benchmark.**
The S&P 500, as we know it today, was introduced in March 1957. It tracks the market value of about 500 large firms that are listed on the Nasdaq Composite and the New York Stock Exchange. The S&P is structured to include companies from across the sectors of the business community, in an effort to represent the breadth of the U.S. economy.[1,2]

There are a number of criteria a company must meet to be considered for inclusion in the index. A firm must be a U.S. company publicly listed on a major equity market exchange, have a market capitalization of $6.1 billion or more, and have at least 250,000 of its shares traded in each of the six months prior to its consideration for index membership by S&P. A company also must be financially viable: The ratio of its annual dollar value traded to its float-adjusted market cap must be greater than 1.0.[3]

**The S&P has changed over time.**
Companies have been gradually removed and added during the past 60-odd years. At the benchmark's 50th anniversary in 2007, just 86 of the original components remained. Subsequent mergers and acquisitions have reduced that number further.[3]

Right now, about 20 percent of the weight of the S&P is held in 10 companies, and the performance of tech shares influences the benchmark's return, perhaps more than any other factor.[3]

The index has been altered through the years in response to changes in the economy. Across several decades, the makeup of the index's various sectors has differed, along with their weightings. This leads to frequent updates for the equity funds that aim to replicate the index; in order to maintain that replication, they may quickly need to buy or sell shares of corporations that are being added or removed.[3]

Keep in mind that amounts in mutual funds and ETFs are subject to fluctuation in value and market risk. Shares, when redeemed, may be worth more or less than their original cost. Equity funds are sold only by prospectus, so please consider their charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

It should also be noted investors cannot invest directly in an index. Also, index performance is not indicative of the past performance of a particular investment, and past performance does not guarantee future results. Investment choices designed to replicate any index may not perfectly track it, and their returns will be reduced by fees and expenses.

Contact us for help in investment planning.



**Citations**.

1 - https://us.spindices.com/indices/equity/sp-500 [12/5/18]
2 - https://www.investopedia.com/ask/answers/041015/what-history-sp-500.asp [11/12/18]
3 - https://www.fool.com/investing/2018/07/10/7-fascinating-facts-about-the-broad-based-sp-500.aspx [7/10/18]