

Magnificent 7 Mania

Why Diversification Still Matters



INVESTMENTS

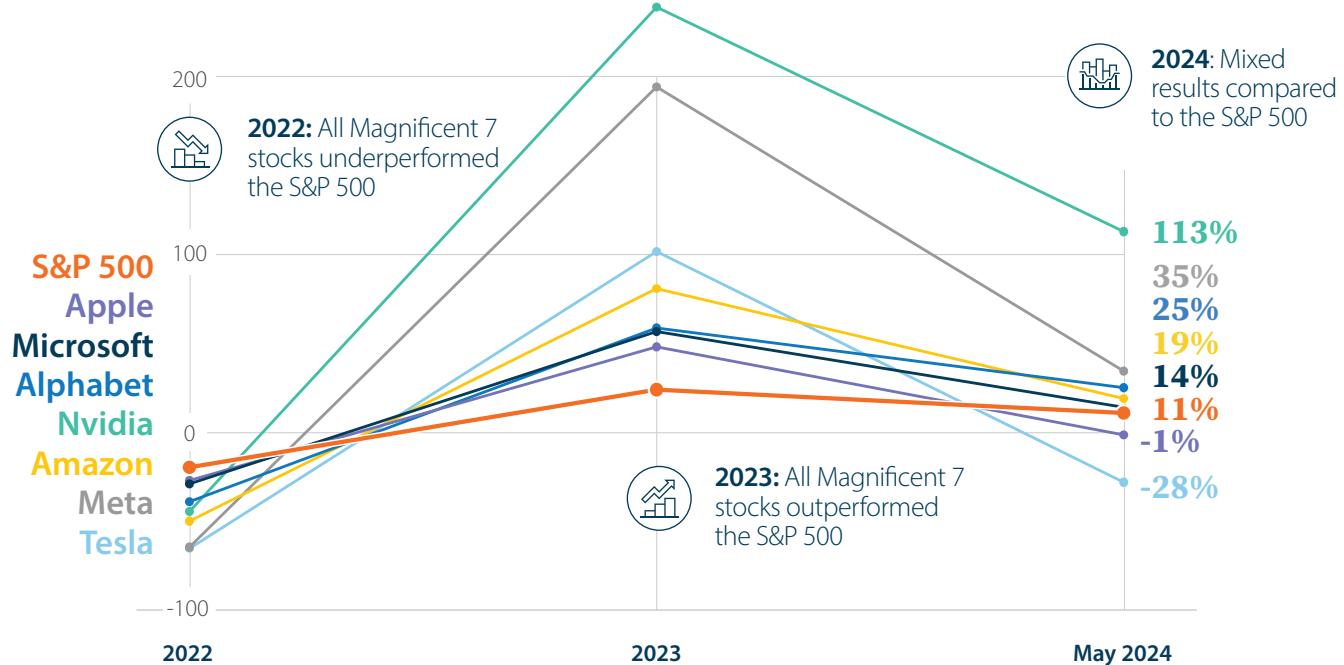
Investors gave the Magnificent 7 much attention after stellar performances in 2023.

However, it's important to recall that the stocks have undergone periods of underperformance as well.

The Magnificent 7's Recent Performance

The group's returns since 2022 have exhibited significant yearly swings.

The Magnificent 7's Price Performance (by percent)



Source: Yahoo Finance 05/24/2024. Past performance is not indicative of future results.

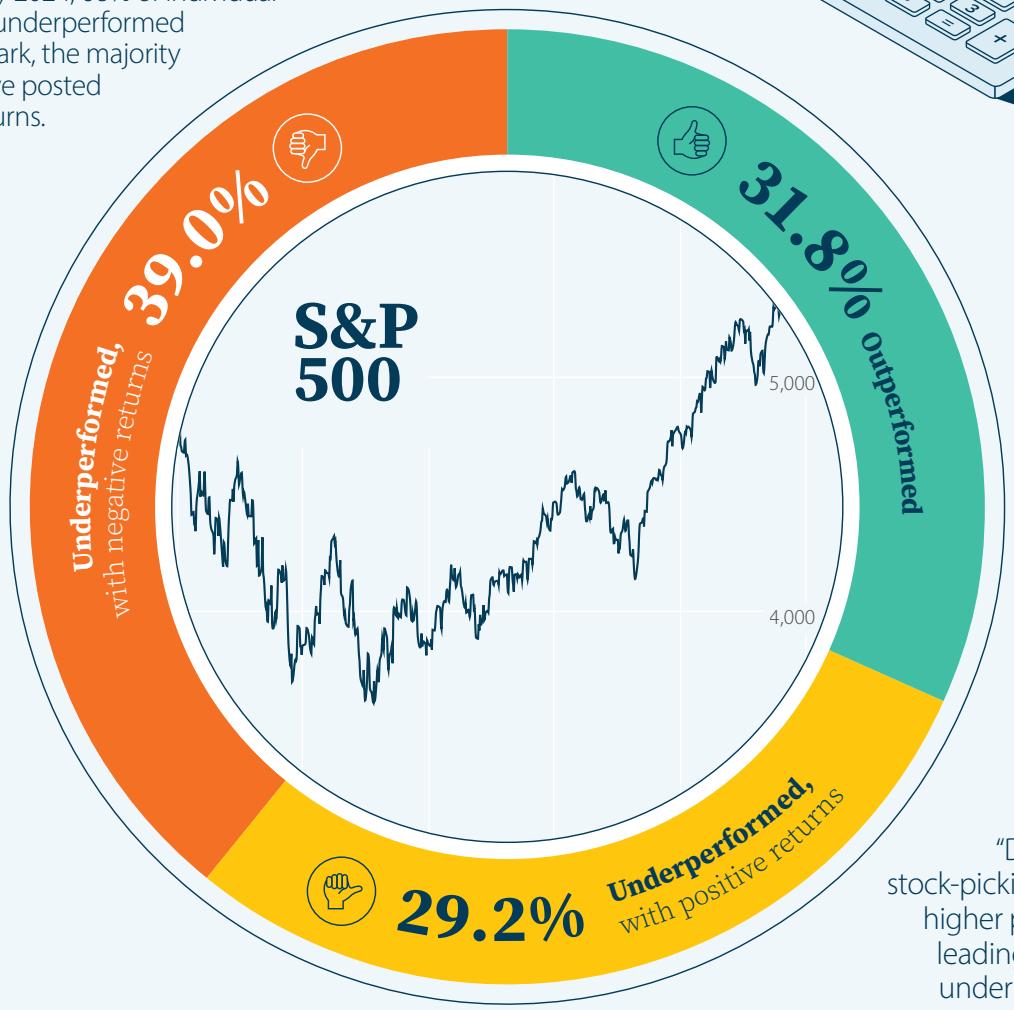
Future positive performance for the Magnificent 7 is far from a sure bet. Diversifying portfolios using pooled investments, such as mutual funds and exchange-traded funds, can help protect investors from concentration risk.

The Dangers of Investing in a Handful of Stocks

Investors can protect themselves from the potential underperformance of individual stocks by diversifying investments using either actively or passively managed pooled investments.

Individual Stock Price Performance Versus the S&P 500 in 2024

Through May 2024, 68% of individual stocks have underperformed the benchmark, the majority of which have posted negative returns.

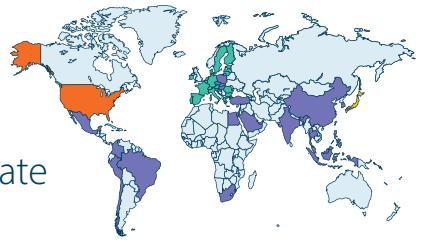


“Do-it-yourself” stock-picking has had a higher probability of leading to portfolio underperformance.

Source: Slick Charts 06/03/2024. Based on 2024 year-to-date price returns from December 31st, 2023 to June 6th, 2024 of each stock in the S&P 500. It is not possible to invest directly in an index. Past performance is not indicative of future results. Index definitions can be found at the end of this piece.

There are many ways investors can further diversify their portfolios—whether by asset class, sector, market capitalization, or geography.

The Benefits of Geographical Diversification



Having investment exposure across geographies can help mitigate downside performance of certain regions relative to others.

Returns of Regional MSCI Indices Over the Last Decade



Recessions, wars, natural disasters, and other phenomena can impact a country's stock price performance.

	Rank ► 1	2	3	4
2023	U.S +27.1%	Europe ex. UK +22.7%	Japan +20.8%	Emerging Markets +9.8%
2022	Japan -16.3%	Europe ex. UK -17.3%	U.S -19.5%	Emerging Markets -20.1%
2021	U.S +27.0%	Europe ex. UK +16.5%	Japan +2.0%	Emerging Markets -2.5%
2020	U.S +21.4%	Emerging Markets +18.3%	Japan +14.9%	Europe ex. UK +11.7%
2019	U.S +31.6%	Europe ex. UK +25.9%	Japan +20.1%	Emerging Markets +18.4%
2018	U.S -4.5%	Japan -12.6%	Europe ex. UK -14.4%	Emerging Markets -14.6%
2017	Emerging Markets +37.3%	Europe ex. UK +27.8%	Japan +24.4%	U.S +21.9%
2016	U.S +11.6%	Emerging Markets +11.2%	Japan +2.7%	Europe ex. UK +0.3%
2015	Japan +9.9%	U.S +1.3%	Europe ex. UK +0.1%	Emerging Markets -14.9%
2014	U.S +13.4%	Emerging Markets -2.2%	Japan -3.7%	Europe ex. UK -5.8%

Source: MSCI 05/24/2024. Annual performances were calculated using the value of each index on December 31st relative to the prior year. The MSCI USA Index (USD) was used to calculate the U.S.'s equity market performance. The MSCI Europe ex UK Index (USD) was used to calculate Europe's equity market performance. The MSCI Japan Index (USD) was used to calculate Japan's equity market performance. The MSCI Emerging Markets Index (USD) was used to calculate emerging markets' equity market performance. Index definitions can be found at the end of this piece. It is not possible to invest directly in an index. Past performance is not indicative of future results.

Stay Balanced

Though the Magnificent 7 stocks posted relatively strong returns in 2023, diversification remains incredibly important, both in terms of security selection and geographic variability.





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Asset allocation, diversification, and rebalancing do not guarantee a profit or assure against market loss. The **S&P 500 Index** is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. The **Magnificent 7** refers to the following companies: Microsoft Corp., Amazon.com Inc., Meta Platforms Inc., Apple Inc., Alphabet Inc., Nvidia Corp., and Tesla Inc. The **MSCI USA Index** is designed to measure the performance of the large and mid cap segments of the US market. The **MSCI Europe ex UK Index** captures large and mid cap representation across 14 Developed Markets (DM) countries in Europe. These countries are: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland. The **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market. The **MSCI Emerging Markets Index** captures large and mid cap representation across 24 Emerging Markets (EM) countries. These countries are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

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