Syntax

Stratified LargeCap Q2 2026 Overview

Paul Kenney August 12, 2026

Key Takeaways

- The Syntax Stratified LargeCap Index (SYLC) gained 12.13% year-to-date through June 2026, outpacing the cap-weighted S&P 500's 10.21% return by 192 basis points. Results were driven by a resilient first quarter for SYLC that offset a slower second-quarter rebound.
- SYLC's balanced business-risk exposure cushioned the Q1 market shock (+1.83% vs. -4.33% for the S&P 500), while its lower technology weighting caused it to trail during Q2's AI infrastructure-led rally (+10.11% vs. +15.20%).
- SYLC's equal sector-weighting methodology diversifies business risk, helping it act as a complement to the S&P 500 and other large cap indices that share a growing reliance on a narrow set of dominant tech-focused companies.

Market and Performance Overview

In the first half of 2026, the performance of the U.S. large cap market played out in two acts. The first quarter tested investors' resolve, and the second quarter rewarded their patience. Q1 is best described as a market shock as the S&P 500 lost 4.33% after recovering from a peak decline of 8.7%.[1] While corporate earnings were strong, the U.S.-Israeli strikes on Iran in late February created market jitters as oil rose to a high point of nearly $120 a barrel[2] creating a spike in inflation and rising yields. Once an early-April ceasefire was announced, the market recovered and the momentum of the broadening AI trade generated a 15.20% return for the S&P 500, its best quarter since 2020.

What made the Q2 rally interesting was it represented at least a partial change in the market's tune. The Magnificent Seven, as measured by the performance of the

Roundhill Magnificent Seven ETF (MAGS), were down 2.5% for the first six months of the year through June. This compares to a positive 10.2% return for the S&P 500.[3] The ongoing infatuation with the Mag Seven paused as investors rotated capital towards the direct AI infrastructure beneficiaries like memory and storage chipmakers. Part of the song, however, remained the same: the market continued to be led by tech stocks. The S&P 500 Growth Index returned 21.89% in the quarter, widely outpacing its S&P 500 Value counterpart which returned 8.00%.

The Syntax Stratified LargeCap Index performed in line with expectations during both the first and second quarters, as shown in Exhibit 1. SYLC and its sector neutral approach to business risk generated a positive 1.83% return for the quarter, outperforming the cap-weighted S&P 500 return of -4.33% by roughly 600 basis points. The S&P's decline was driven largely by the weak performance of the software industry, and specifically concerns that agentic AI would disintermediate enterprise software. Hence, the term "SaaSpocalypse" was coined. SYLC generated a strong 10.11% absolute return in Q2, but its lower tech weighting led to 509 basis points of underperformance relative to the S&P 500.

Exhibit 1: Near-Term U.S. Large Cap Market Performance (%)

	2Q26	1Q26	YTD	1Y
Stratified LargeCap	10.11	1.83	12.13	20.30
S&P 500	15.20	-4.33	10.21	22.32
S&P 500 Eq. Weight	11.39	0.67	12.13	19.20
Stratified LargeCap Over (Under)				
S&P 500	-5.09	6.16	1.92	-2.02
S&P Eq. Weight	1.28	1.16	0.00	1.10

Total Return as of 6.30.2026. Performance does not reflect fees or implementation costs as an investor cannot directly invest in an index. Source: Syntax, S&P Dow Jones Indices.

For the year-to-date through June 30, SYLC's 12.13% return exceeded the S&P 500's 10.21% results by 1.92 percentage points. For the trailing year, SYLC's return of 20.30%

trailed the S&P 500 by roughly two percentage points while outperforming the S&P 500 Equal Weight Index by slightly more than one percentage point.

The three to ten year trailing returns shown in Exhibit 2 highlight the cap-weighted S&P 500's strong performance relative to both Stratified LargeCap and also the equal-weight S&P 500. Over the long-term, the Stratified LargeCap Index's since-inception results outpace both S&P indices.

Exhibit 2: Intermediate and Long Term Performance (%)

	3Y	5Y	7Y	10Y	Since 12.20.91
Stratified LargeCap	15.52	10.42	13.19	13.11	13.39
S&P 500	20.61	13.41	16.08	15.51	11.19
S&P 500 Eq. Weight	14.53	9.14	12.34	12.36	11.78
Stratified LargeCap Over (Under)					
S&P 500	-5.09	-2.99	-2.89	-2.40	2.10
S&P Eq. Weight	0.99	1.28	0.85	0.75	1.51

Total Return as of 6.30.2026. Performance does not reflect fees or implementation costs as an investor cannot directly invest in an index. Source: Syntax, S&P Dow Jones Indices. Please see important disclaimers regarding back-tested data prior to inception.

Even though SYLC has returned over 15% annually for the past three years, it trails the S&P 500's 20.61% annualized return by roughly five percentage points. Over the past ten years, the annual underperformance difference is 2.40 percentage points.

Since the start of its backtest on December 20, 1991, excluding fees and expenses, SYLC has returned 13.29% annualized, 210 basis points ahead of the S&P 500's 11.19% return. This advantage traces largely to the first decade of the 2000s, when the cap-weighted S&P 500 lost nearly 10% of its value amid the collapse of the tech bubble and the Global Financial Crisis. SYLC's back-tested results produced an annualized return of 7.3% for the first decade of this century.

The full history results showed SYLC also exceeded the S&P Equal Weight performance by 1.5 percentage points annually, highlighting the benefits of balancing business risk vs. the weight of each security in the index.

Index Construction and Sector Exposure

The goal of the Stratified LargeCap Index is to deliver an unbiased return that is representative of all the business opportunities in the market, not just the largest ones. The index holds the exact same stocks as the S&P 500; the only difference is the weighting scheme, which is designed to reduce concentration risk to both individual stocks and sectors. Exhibit 3 highlights the sector weights of the Stratified Large Cap Index and the cap weighted S&P 500. Highlights include:

- The Stratified LargeCap Index targets a weight of 12.5% to each of its eight sectors, defined using Syntax's proprietary classification data and designed to enhance diversification when used in conjunction with Stratified Weight methodology. The sector variances shown below relative to the target weight are tied to market movements between the quarterly rebalance and quarter-end.
- The S&P 500 has about 56% of the index tied to two sectors: Information Tools (36.6%) and Information (19.3%). This highlights the narrowness of the large cap market and its continued overweighting of technology-related stocks.
- Stratified LargeCap maintains higher exposure to sectors that traditional cap-weighted indices underweight relative to their economic footprint. This includes Energy, Food, and Consumer Products & Services, which each represent between 4.2% and 5.2% of the S&P 500. The S&P 500's small allocation to Energy is particularly notable given its increasing linkage to hyperscalers and AI infrastructure. The Energy sector returned 20.6% for the year-to-date through June which was double the 10.1% S&P 500 return.

Exhibit 3: Sector Weights of Stratified LargeCap vs. Cap-Weighted S&P 500 (%)

	Stratified LargeCap	Cap-Weighted S&P 500	Difference
Financials	12.8	9.3	3.5
Energy	12.4	5.2	7.2
Industrials	12.8	11.2	1.6
Information Tools	12.6	36.6	-24.0
Information	12.1	-19.3	-7.2
Consumer Products & Services	12.5	5.1	7.4
Food	11.9	4.2	7.7
Healthcare	13.0	9.2	3.8
Total	**100**	**100**	

Sector weights as of 6.30.2026. Source Syntax Data

The S&P 500 is often singled out for its high level of concentration risk in its top 10 holdings and within technology. Often overlooked is the concentration of the largest companies within sectors outside of technology. Exhibit 4 looks at this dynamic as it compares the weight of the top 10 holdings within each sector for the Stratified LargeCap Index and the S&P 500.

Exhibit 4: Weight of Top 10 Securities Within Sectors: Stratified LargeCap vs. Cap Weighted S&P 500 Index (%)

	Stratified LargeCap	Cap-Weighted S&P 500	Difference
Financials	38.4	60.3	-21.9
Energy	36.0	51.4	-15.4
Industrials	19.0	36.2	-17.2
Information Tools	40.0	76.9	-36.9
Information	37.0	73.6	-36.6
Consumer Products & Services	39.5	76.0	-36.5
Food	51.2	84.0	-32.8
Healthcare	32.1	60.2	-28.1
Stats			
Minimum	19.0	36.2	-17.2
Maximum	51.2	84.0	-32.8
Average	36.7	64.8	-28.2

Sector weights as of 6.30.2026 based on primary business line exposure using Syntax's Functional Information Industry Classification System. Source Syntax Data

The results show:

- The tech-related Information Tools (+76.9%) and Information (73.6%) sectors both have in excess of 70% of their sector weight in their top ten holdings. Interestingly, Consumer Products and Services is similarly very concentrated at 76.0%.
- Stratified LargeCap has an average weight of 36.7% to the top ten securities within each sector, substantially lower than the S&P 500's 64.8% weight.

This further highlights the large-cap market's reliance on the largest companies to drive returns. Conversely, Stratified LargeCap benefits when market participation broadens, as well as when performance in the largest sectors lags.

The index characteristics of Stratified LargeCap relative to the S&P 500 cap-weighted and equal-weighted indices are shown in Exhibit 5.

Exhibit 5: Index Characteristics: Stratified LargeCap, S&P 500 Cap-Weighted and Equal-Weight Indices

	Volatility	Beta	Dividend Yield	P/E Ratio
Stratified LargeCap	15.9	0.97	1.85	24.4
S&P 500	15.4	1.00	1.11	28.1
S&P 500 Eq. Weight	16.6	1.01	1.79	25.7

Source: S&P Dow Jones Indices, Syntax. Performance statistics calculated using monthly total return data from 12.20.1991 – 6.30.26. Dividend Yield and P/E ratio calculated as of 6.30.2026 using trailing 12-month dividends and earnings for constituents of the index at quarter-end.

Stratified LargeCap's historical volatility (15.9%) is modestly higher than the S&P 500 (15.4%), while its beta is similar (0.97 vs. 1.00). Not surprisingly, given its balanced business risk and lower weight to technology, it has a higher dividend yield (1.85% vs.1.11%) and lower P/E ratio (24.4x vs. 28.1x) than the S&P 500.

Conclusions

The Stratified LargeCap Index performed in line with expectations through the first two quarters of 2026. The balanced approach to distributing business risk cushioned performance during the market shock experienced in Q1 tied to the hostility between the U.S., Israel, and Iran. The Index generated a positive return of 1.8% vs. a 4.3% loss for the S&P 500 in Q1, and even though Stratified LargeCap underperformed in the AI led rally in Q2 (+10.1% vs. 15.2% for the S&P 500), it has outperformed for the year through June 30, returning 12.1% vs 10.2% for the S&P 500.

This pattern highlights the complementary nature of Stratified LargeCap relative to the S&P 500, not only for 2026 but over time. SYLC has historically lagged during periods when a narrow set of mega-cap names drives the market, and outperformed when participation broadens or when those same names falter, as its since-inception track record demonstrates. For investors and advisors seeking to weather more than a single market regime, SYLC can serve as a balancing mechanism within a portfolio to mitigate the single-name and sector-concentration risk embedded in cap weighted U.S. large cap equity indices.

1. Source: CNN Business, "Dow closes in correction, S&P logs longest weekly losing streak in four years," March 27, 2026 — https://www.cnn.com/2026/03/27/investing/us-stocks-iran
2. Source: CNBC, "A timeline of how the Iran war shook oil prices — and what comes next," April 21, 2026 — https://www.cnbc.com/2026/04/21/oil-price-iran-war-middle-east.html
3. Source: Koyfin performance of MAGS ETF from 12.31.25 to 6.30.26

About Syntax

Syntax LLC is a financial data and technology company that codifies business models. Syntax operates through three segments: Company Data, Wealth Technology, and Financial Indices. Using its patented FIS® technology inspired by systems sciences, the Company Data segment offers the most comprehensive, granular, and accurate product line revenue data available on the market. The Wealth Technology segment then uses this abundance of data to facilitate the instantaneous creation and ongoing management of direct indexing solutions and rules-based equity portfolios through a fully automated platform. The Financial Indices segment enables Syntax to deliver customized and proprietary indices, including core global benchmarks and micro- and macro-thematic, smart beta, defined outcome, and target volatility indices. These indices are foundational for a range of financial products, such as ETFs, UITs, and structured products. Learn more at www.syntaxdata.com.

Important Disclaimers

Past performance is no guarantee of future results. All performance presented prior to the inception date is backtested performance. Backtested performance is not actual performance but is hypothetical. The inception date of the Syntax Stratified LargeCap Index was December 27, 2016. The backtest calculations are based on the same methodology that was in effect when the index was officially launched. Back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index. Charts and graphs are provided for illustrative purposes only.

The Syntax Stratified LargeCap Index ("the Index") is the property of Syntax, LLC, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) to calculate and maintain the Index. The Index is not sponsored by S&P Dow Jones Indices or its affiliates or its third-party licensors (collectively, "S&P Dow Jones Indices"). S&P Dow Jones Indices will not be liable for any errors or omissions in calculating the Index. "Calculated by S&P Dow Jones Indices" and the related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Syntax, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"). Syntax®, Stratified®, Stratified Indices®, Stratified Weight™, and Locus® are trademarks or registered trademarks of Syntax, LLC or its affiliate.

Index performance does not represent actual fund or portfolio performance and such performance does not reflect the actual investment experience of any investor. An investor cannot invest directly in an index. In addition, the results actual investors might have achieved would have differed from those shown because of differences in the timing, amounts of their investments, and fees and expenses associated with an investment in a portfolio invested in accordance with an index. None of the Syntax indices or the benchmark indices portrayed herein charge management fees or incur brokerage expenses, and no such fees or expenses were deducted from the performance shown; provided, however, that the returns of any investment portfolio invested in accordance with such indices would be net of such fees and expenses. Additionally, none of such indices lend securities, and no revenues from securities lending were added to the performance shown. Benchmark data for the S&P 500 and S&P 500 Equal Weight Indices is provided by S&P Dow Jones Indices.

This presentation is for informational purposes only and is not intended to be, nor should it be construed or used as an offer to sell, or a solicitation of any offer to buy, any security. Additionally, the information herein is not intended to provide, and should not be relied upon for, legal advice or investment recommendations. You should make an independent investigation of the matters described herein, including consulting your own advisors on the matters discussed herein. In addition, certain information contained in this presentation has been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for the purpose used in this presentation, such information has not been independently verified by Syntax and Syntax does not assume any responsibility for the accuracy or completeness of such information. Syntax LLC, its affiliates and their independent providers are not liable for any informational errors, incompleteness, or delays, or for any actions taken in reliance on information contained herein.