



## After the Run: **Protecting Gains When the Odds Shift**

Virtus Capital's perspective on market returns, valuations, and why protecting a portion of growth may be worth considering in 2026.



# 14.1%

## S&P 500 annualized total return, 2011–2025

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The S&P 500 has delivered one of its strongest sustained runs in modern market history – compounding at roughly **14.1% annualized** over the past 14 years. That is well above the 1926–2025 historical average of approximately 10%, and it reflects a structurally exceptional cycle that has compounded wealth for long-term equity investors at a rate rarely sustained for this long.

### 13 of 15 positive years

Positive full calendar year returns since 2011 – a consistency that exceeds most historical periods of comparable length.

### Forward Price-to-Earnings (P/E): ~20–21x

Versus a 25-year historical average of 16.75x – roughly 22% above long-term norms. Suggesting equities are over valued.

### Top 10 concentration: 38%

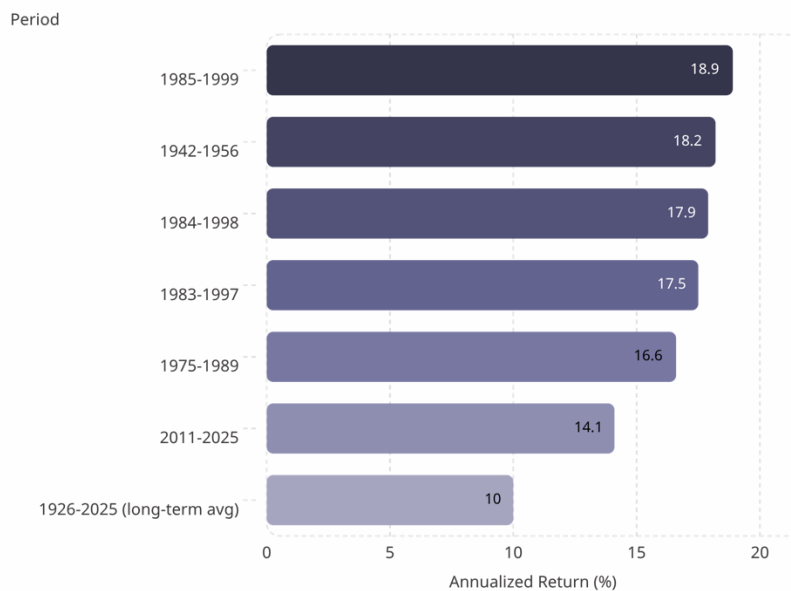
A narrow group of technology and AI-related companies now drives an outsized share of index returns.

**Why it matters** > Strong markets create wealth – but they also create the opportunity to make decisions from a position of strength, before volatility changes the equation.

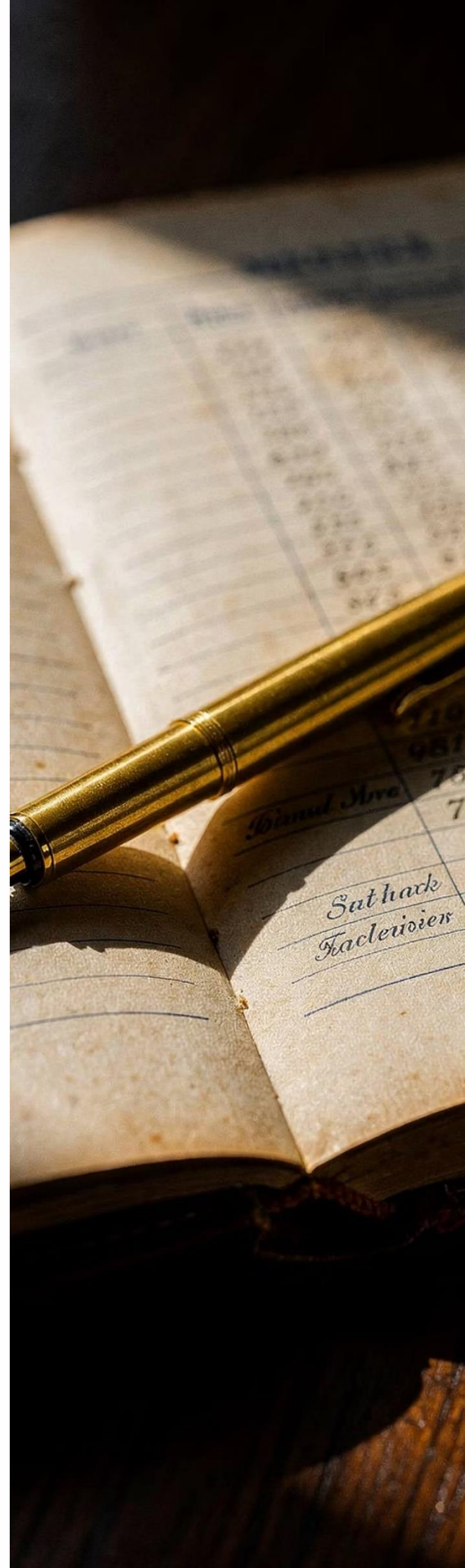
# The 2011–2025 Cycle Ranks Among the **Strongest** on Record

Placing the current cycle in historical context reveals just how exceptional the past 15 years have been. The chart below compares annualized S&P 500 total returns across the strongest rolling 15-year periods in modern market history. The 2011–2025 cycle, at **14.1% annualized**, ranks well above the **~10.0% long-term average** (1926–2025) and comfortably within the top quartile of all 15-year rolling periods on record.

## Annualized S&P 500 Returns — Strongest 15-Year Periods



**Why it matters** > The **2011–2025** cycle trails only a handful of the **strongest periods ever recorded**. Understanding where the current cycle sits in this historical sequence is the foundation for evaluating what may come next.



# What Happened After Previous Strong Runs

History does not repeat – but it does offer a calibration tool. The table below shows what followed each of the strongest 15-year cycles in S&P 500 history. The pattern is not uniform, but the signal is meaningful: **elevated starting valuations have frequently coincided with compressed or negative forward returns**, particularly over 5- and 10-year horizons.

## Forward Returns Following Strong 15-Year Cycles

Period	Annualized Return	Next 5 Yrs	Next 10 Yrs	Next 15 Yrs
1985–1999	18.9%	<b>-2.3%</b>	<b>-1.0%</b>	4.2%
1942–1956	18.2%	12.8%	9.2%	8.9%
1984–1998	17.9%	<b>-0.6%</b>	<b>-1.4%</b>	4.7%
1983–1997	17.5%	<b>-0.6%</b>	5.9%	4.5%
1975–1989	16.6%	8.7%	18.2%	10.9%
2011–2025	14.1%	<i>TBD</i>	<i>TBD</i>	<i>TBD</i>

**Why it matters** > Of the five comparable prior periods, three produced **negative 5-year forward returns** and three produced **negative or near-zero 10-year forward returns**. The key variable in each case was the valuation environment at the start of the subsequent period.

# A strong run does not guarantee a decline.

But starting valuation and time horizon have historically shaped what comes next.

## Elevated valuations compress expected returns

When investors pay more per dollar of earnings at the start of a period, the room for further multiple expansion narrows — even if earnings continue to grow.

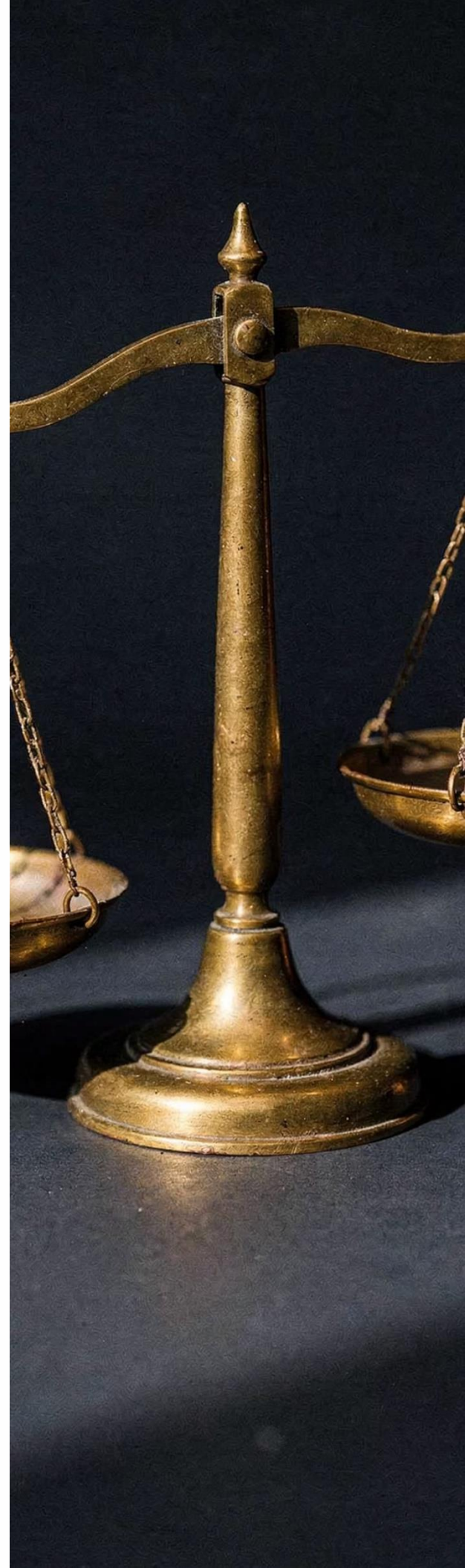
## Strong prior cycles often precede weaker forward ones

3 of the 5 most comparable prior periods produced negative 5-year forward returns, ranging from -2.3%/yr to +12.8%/yr over the following five years.

## Time horizon matters more than market timing

Investors with shorter horizons face a fundamentally different risk profile than those with 15+ years of runway — regardless of market direction.

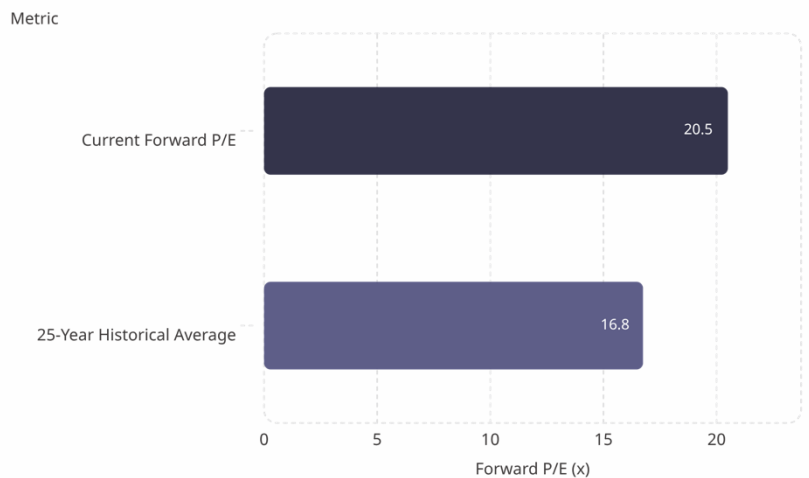
**Why it matters** > Strong runs **do not predict** timing or argue for exiting equities. However, historical patterns do shift the probability distribution of outcomes — they just don't dictate results.



# Investors Are Paying ~**22% More** Per Dollar of Earnings

At roughly **20.5x**, the S&P 500's forward P/E sits approximately **22% above its 25-year average of 16.75x** — meaning investors today pay meaningfully more per dollar of future earnings than has historically been typical.

## Forward P/E: Current vs. 25-Year Average



## How to Interpret This



### The premium is ~3.75 turns of P/E

At 20.5x vs. 16.75x, the market is pricing in stronger earnings growth, lower rates, or both — leaving less room for error.



### Higher P/E historically correlates with lower forward returns

Higher starting multiples are consistently associated with compressed expected gains over the subsequent 10 years.



### Valuations shape the odds, not the direction

A 20.5x forward P/E doesn't predict a correction — it means the margin of safety is thinner than at 16.75x.

# 38%

Share of the S&P 500 held by the **top 10** stocks

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Index concentration has reached levels not seen in decades. The top 10 holdings in the S&P 500 now represent roughly **38% of the entire index** – driven predominantly by large technology and AI-related companies. For investors holding broad index exposure, this means portfolio performance is more sensitive to the fortunes of a narrow group of market leaders than at any point in recent history.

## Recent gains are heavily sector-specific

A significant share of portfolio appreciation since 2022 traces directly to large-cap technology and AI-related names.

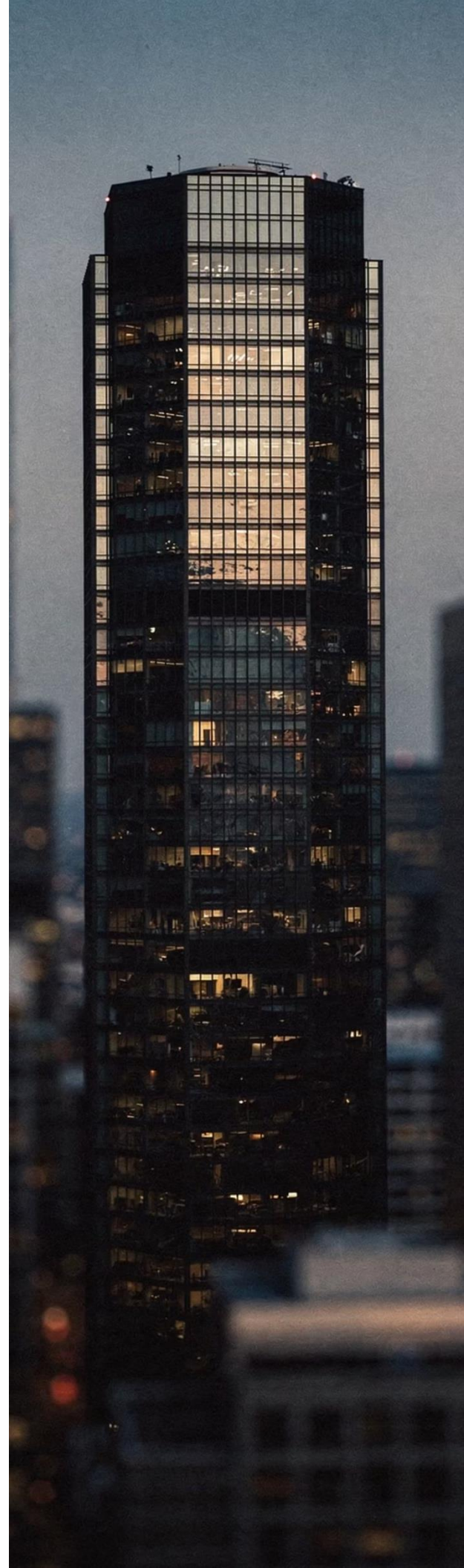
## Leadership narrowing increases sensitivity

When fewer stocks carry more of the index weight, a rotation away from those leaders can have outsized effects on total portfolio returns.

## Concentration ≠ a bad investment thesis

The largest companies are not necessarily overvalued or destined to underperform. The point is that investors should understand how much of their recent portfolio growth came from a narrow group – and size their exposure to that risk accordingly.

**Why it matters** > Portfolio concentration and narrow market leadership are not inherently negative qualities, especially during periods of outsized returns. But when stock market valuation inevitably reverts to the mean, **overweighting** in a handful of holdings can lead to **unintended downside** exposure.



# Where Protection Strategies May Fit

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Protection strategies are not a replacement for growth and are not a market-timing call. They are a **planning tool** for investors who have benefited from an exceptional cycle and are evaluating how much of that recent appreciation should remain fully exposed to the next one. The question is not whether to remain invested – it is whether the structure of that investment reflects current risk realities.



## Protect Principal

Certain structured approaches allow investors to protect principal if held to term – establishing a defined floor below which portfolio value does not fall, regardless of market drawdown.



## Lock In a Portion of Gains

Rather than allowing the full magnitude of recent appreciation to remain at risk, protection strategies can crystallize a portion of gains – converting unrealized returns into a defended position.



## Maintain Defined Upside

Protection does not require capping participation entirely. Many approaches preserve defined upside potential – allowing investors to continue benefiting from market appreciation within a structured range.

# The Better Question Isn't Timing — **It's Positioning**

*Given the growth you have already earned, what portion should remain fully exposed — and what portion should you consider protecting?*

## Three questions to consider when protecting market gains

01

### Where are you in your financial journey?

Protection strategies work best when it fits your goals, timeline, and overall plan.

02

### What is your current asset allocation?

Know whether recent growth has left you overexposed, balanced, or still underinvested

03

### How close are you to using your investment savings?

The closer the money is to being needed, the more protection may matter.

**Ready to talk through your strategy?**



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**Scan to schedule a meeting**

# Sources

## Data Notes

All statistics cited in this presentation – including the 14.1% annualized S&P 500 return (2011–2025), the 20.5x current forward P/E, the 16.75x 25-year average P/E, the 37–38% top-10 concentration figure, the 13-of-15 positive calendar year count, and all historical rolling 15-year period returns and subsequent forward return figures – are sourced directly from the Virtus Capital market insight document referenced above. No figures have been altered, estimated, or extrapolated beyond the source material.

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