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Portfolios With Purpose

Against the Spread:
Are Gambling Investments a Safe Bet?

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Introduction

The growth of gambling, particularly sports betting, is at historic levels. But is gambling necessary or desirable for investors to achieve growth in their portfolios?

- **One in four U.S. adults actively uses a sports-betting app. Warren Buffet calls this a "tax on stupidity."[1]**
- **Twenty-one percent of investors say they would be more likely to avoid companies involved in gambling.[2]**
- **Advisors play a crucial role in educating their clients on how to avoid investing in industries that harm society, such as gambling, while maintaining competitive returns.**

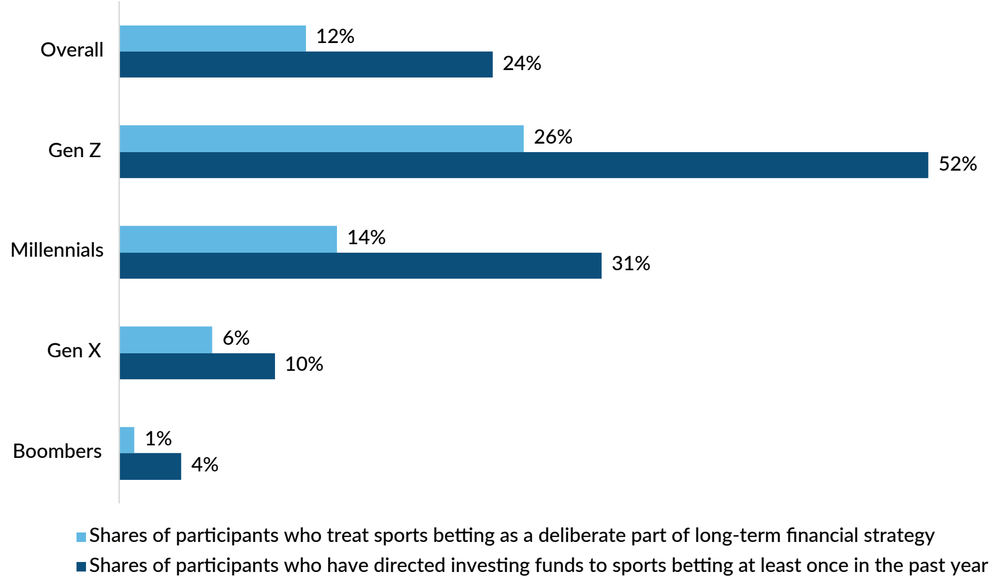
State of the sportsbook

An astonishing 27% of U.S. adults have an active online sports-betting account. This includes 52% of men ages 18-49.[3] Statistically speaking, that means half of Gen X and Millennial male investors may be gamblers. Even more astonishing, one in four Gen Z Americans considers sports betting an intentional component of their long-term financial plan, and one in two have redirected investment funds to sports bets in the past year.

Trading packs for pens and pouches

The 2018 SCOTUS decision *Murphy v. NCAA* gave individual states, not the federal government, the ability to determine sports gambling legality. Accordingly, sports-betting participation rates were 19% in 2024 and 22% in 2025, illustrating the rapid rise of sports-betting activity since the court's ruling. As of June 2026, 39 states and Washington, D.C., have some form of legalized sports betting, whether in person or online.[5] Having legalized access appears to have blurred the line between investing and gambling for many young Americans. (See Charts 1 and 2.)

Chart 1: Sports Betting Competes With Investing for Gen Z Dollars



1 Horney, B. (2026, April 27). *Warren Buffett Calls Sports Betting a "Tax on Stupidity."* Yahoo Sports.

2 What investors value. (2026, February 2026). https://www.crossmarkglobal.com/wp-content/uploads/VBI-SURV-BRO-FINAL-02-09-26.pdf

3 *More Than a Quarter of Americans, 27% Have An Active Online Sports Betting Account; A Third Have Opened an Account At Least Once – Siena Research Institute*. (2026). Siena.edu.

4 Song, Z., & Amponsah, M. (2026, August 12). *Gen Z Investors Turn to Sports Betting in Wealth Plans*. Bloomberg. Bloomberg.Com.

5 *American Gaming Association. (2024, November 7). Gaming Map - American Gaming Association. American Gaming Association*.

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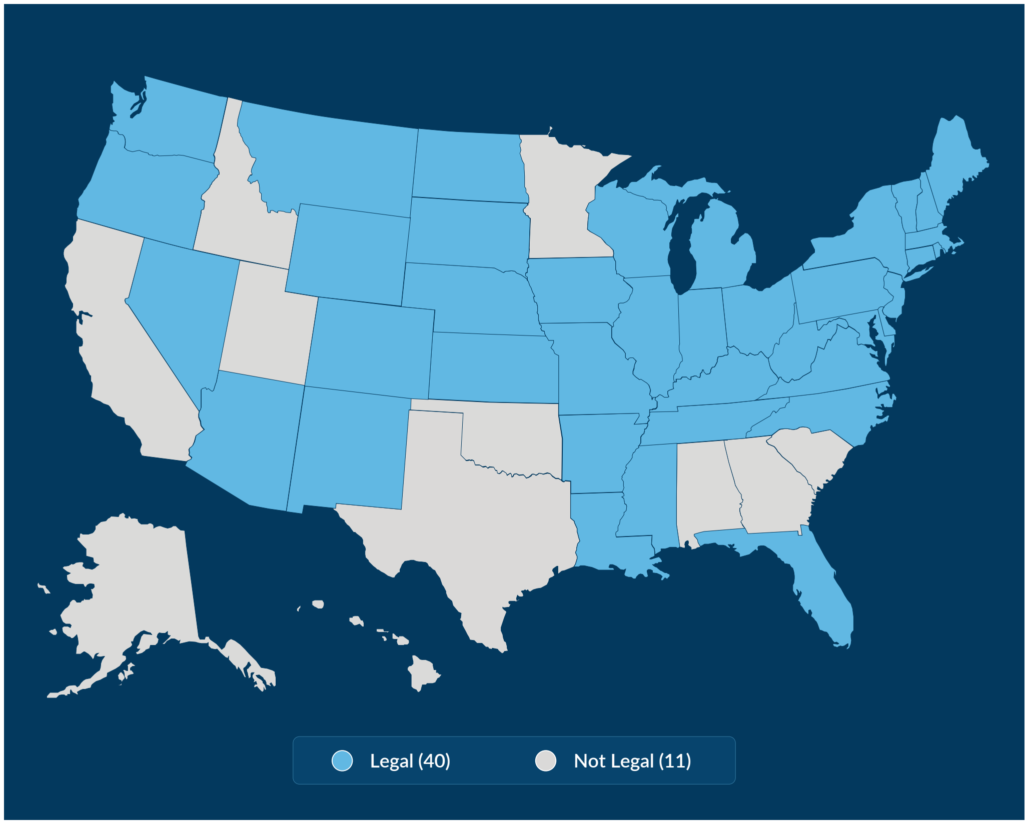
Chart 2: Betting By State



In all but 11 states, Americans now have a casino in their pocket, and it's nearly impossible to watch a sporting event without live updates and advertisements encouraging bets with profit boosts and promo codes. The 2026 World Cup was the largest betting event of all time, with an estimated $50 billion wagered through online sportsbooks and prediction markets.[6] While legalization has created jobs and tax revenues, it's not all fun and games.

Sportsbooks & societal consequences

How much money is actually on the line? Since the *Murphy* decision in 2018, Americans have gambled more than $500 billion on sports.[7] For perspective, half a trillion USD is approximately:

- 42% more than the combined value of the world's top 50 sports franchises.[8]
- The 2025 GDP of Colombia ($457B) or Norway ($531B).[9]
- 1,000x the net worth of four-time NBA champion and cultural icon Shaquille O'Neal.[10]

Where money flows, health outcomes often change – for better or worse.

While we traditionally think about the *mental* health effects of betting (as sportsbook commercials add addiction resources in miniscule font at the bottom of the screen), the effects can also be painfully *physical*.

6 Race, M. (2026, July 16). The financial winners and losers from the world cup. *BBC*. https://www.bbc.com/news/articles/cgrkek8lrzvo.

7 Lovett, J. (2025, October 15). *Americans have gambled more than $500 billion on sports since 2018 – But is betting in society's favor? | Pinkston*. Pinkston.

8 Knight, B. (2025, December 18). The World's 50 Most Valuable Sports Teams 2025 List. *Forbes*.

9 World Bank. (2025). *GDP (current US$) | Data*. Worldbank.org; World Bank.

10 Fore, P. (2026, May 20). *Despite a $500 million net worth, Shaq just finished his fourth degree. He warns graduates: "Your character will take you further than your resume."* Fortune.

- Gambling triggers similar neural pathways as drugs and alcohol, and the dopamine reward system is triggered whether the bet wins or loses.[11]
- Individuals with a gambling problem (approximately 3-4% of U.S. adults) are 53% more likely to develop a heart condition than the rest of the population.[12]
- Between 7-30% of individuals experiencing gambling-related problems have reported a suicide attempt.[13]

Impact ought not be lost in the sea of statistics, so an individual case study is worth consideration.

A cautionary tale

McKay Coppins, a writer for *The Atlantic*, undertook a 2025 NFL season-long commission to see what he could do with $10,000 in sports betting. He quickly sought the advice of Nate Silver, an internet-famous statistician and gambler. Silver educated Coppins that because of sportsbook charges on bets, just to break even before taxes, people who bet must win 52.5% of the time.

“If you make one penny, that would be better than 98 percent of people over an entire season,” Silver warned. By the final whistle of the Super Bowl, after months of dopamine rushes and deflations, Coppins had wagered over $33,000 with a mere $109 of his original $10,000 to show for it.

Coppins concludes, “As a society, we are making an enormously risky bet: that we can reap the benefits of a runaway gambling industry without paying any price; that, unlike every civilization that came before us, we can beat the house.”[14]

Beta measures a stock’s volatility relative to the broader market (S&P 500). A beta above 1.0 indicates greater volatility than the market; a beta below 1.0 indicates less.

Risk & reward

Gambling may be harmful to customers, but what about to investors? If “the house always wins,” then wouldn’t owning the house make an unbeatable investment? It turns out, not necessarily.

As of 2025, there were only five companies in the S&P 500 casinos & gambling sub-industry, but there were 23 in the Russell 3000, as gambling companies tend to be smaller capitalization. Notably, neither FanDuel (owned by Flutter Entertainment, NYSE: FLUT) nor DraftKings (NASDAQ: DKNG) were in the S&P 500 as of December 2025. However, these two companies control approximately 80% of the U.S. sports-betting market, with 2025 revenues of $7.0B for FanDuel (Flutter’s was $16.4B overall) and $6.1B for DraftKings.[15]

Nevertheless, solid market share does not guarantee solid stock performance. As of year-end 2025, DraftKings has outperformed the Russell 3000 by an average annualized 6.83% since its IPO in July 2019. However, it has underperformed the index by an average of 19.00% per year over the past 5 years. Likewise, Flutter has underperformed the Russell 3000 each year since the *Murphy* decision in May 2018, and each year since acquiring a majority stake in FanDuel in July 2018. Even with the exponential growth of sports gambling in 2025, both stocks had negative performance for the year (-7.37% for DKNG and -16.80% for FLUT).

Though DKNG outperformed the S&P 500 since its inception through 2025, it did so with a beta of 1.86 over the same time horizon. FLUT also underperformed the index since *Murphy*, with a beta of 1.27. (See Chart 3.)

11 *Gambling addiction triggers the same brain areas as drug and alcohol cravings: Gambling addiction activates the same brain pathways as drug and alcohol cravings, suggests new research*. (2017). ScienceDaily.

12 Merschel, M. (2024, September 3). *Sports betting has changed. Could it affect your health?* Www.heart.org.

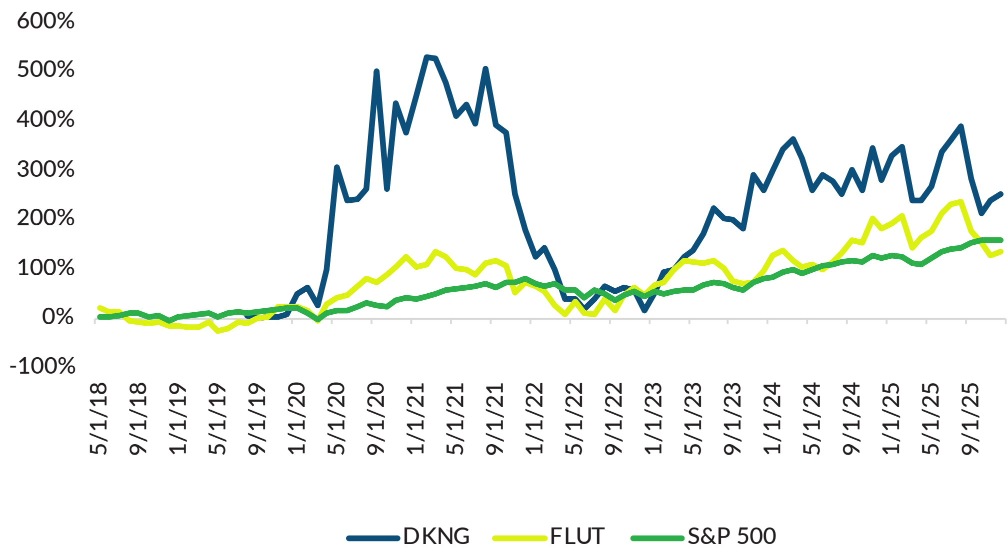
13 Marionneau, V., & Nikkinen, J. (2022). Gambling-related suicides and suicidality: A systematic review of qualitative evidence. *Frontiers in Psychiatry*, 13(13), 980303.

14 Coppins, M. (2026, March 12). *The Atlantic*. The Atlantic; theatlantic.

15 Saba, J. (2025, January 23). Breakingviews - US sports-betting duo’s growth wager is paying off. *Reuters*.

Chart 3: Volatility Is Part of the Bet

Cumulative total return (monthly) of DraftKings, Flutter Entertainment (FanDuel), and the S&P 500 Index since *Murphy v. NCAA*, 5/14/18–12/31/25



The power of exclusion

What if U.S. portfolios no longer rolled the dice (see Table 1)? As of year-end 2025, the S&P 500 Index, excluding the casinos & gambling sub-industry (and rebalanced accordingly), would have outperformed the standard index over the past 30 years and since *Murphy*. Likewise, for the Russell 3000 Index, rounded to the nearest basis point (bp), there is no performance difference on the 30-year history between the index in its entirety, and the index excluding casinos & gambling. The 1-year index performance without gambling outperformed the Russell 3000 by 4 bps, annualized since *Murphy v. NCAA*.

Table 1: Cashing Out on Casinos

S&P 500 and Russell 3000 returns, with and without their respective casinos & gambling subindustry, annualized. Annualized returns since *Murphy v. NCAA* included in the column titled 5/14/18–12/31/25.

	1-Year	3-Year	5-Year	5/14/18-12/31/25	10-Year	20-Year	30-Year
	Total Return	Total Return	Total Return	Total Return	Total Return	Total Return	Total Return
Total S&P 500	17.88	23.00	14.42	14.65	14.82	11.00	10.36
Total S&P 500 ex-casinos & gambling subindustry	17.88	23.02	14.46	14.69	14.84	11.01	10.37
Total Russell 3000	17.14	22.24	13.15	13.96	12.49	2.27	-4.89
Total Russell 3000 ex-casinos & gambling subindustry	17.18	22.28	13.19	14.00	12.50	2.27	-4.89

In other words, the casinos & gaming subindustries of the S&P 500 and Russell 3000 have underperformed their overall indexes by an annualized 511 bps and 114 bps, respectively, since sports gambling became a states'-rights issue.

Increased risk, decreased reward

As Table 1 shows, excluding gambling stocks historically cost investors nothing on a return basis. But for investors who held them, gambling stocks came with a cost of their own: higher volatility and, as a result, lower risk-adjusted returns across multiple time horizons. Particularly over the past 30- and 5-year (post-*Murphy*) horizons (annualized since year-end 2025), the gambling sub-industries have a lower Sharpe ratio and higher beta than their respective benchmarks (see Table 2).

Table 2: Lowering the Stakes

Sharpe ratios and betas for the S&P 500 and Russell 3000 with and without their respective casinos & gaming subindustry included

	Sharpe ratio (risk-adjusted return)					
Description	1-Year	3-Year	5-Year	10-Year	20-Year	30-Year
Total S&P 500 Index minus casinos & gaming subindustry	0.53	0.06	-0.20	0.06	-0.07	0.15
Total S&P 500	1.28	1.52	0.74	0.84	0.60	0.58

	Beta (price volatility vs. benchmark)					
Description	1-Year	3-Year	5-Year	10-Year	20-Year	30-Year
Total S&P 500 Index minus casinos & gaming subindustry	1.41	1.66	1.37	1.64	1.74	1.40
Total S&P 500	1.00	1.00	1.00	1.00	1.00	1.00

	Sharpe ratio (risk-adjusted return)			Beta (price volatility vs. benchmark)		
Description	1-Year	3-Year	5-Year	1-Year	3-Year	5-Year
Total Russell 3000 Index minus casino and gambling subindustry	-0.31	0.01	-0.20	1.39	1.58	1.35
Total Russell 3000	1.17	1.39	0.65	1.00	1.00	1.00

Sharpe ratio measures risk-adjusted return; a higher figure indicates better return per unit of risk.

Gambling boils down to risk and reward. Advisors are in an ideal position to help investors consider whether the risks of gambling stocks are worth the returns they produce.

Conclusion

No reputable financial advisor would encourage clients to gamble with their hard-earned money. Fortunately, the data shows advisors don't need to encourage their clients to invest in gambling stocks, either, to meet their financial goals. For values-based investors, this is good news, indeed, as excluding gambling stocks from a portfolio has not historically required a trade-off in performance.

To quote Warren Buffett, perhaps we don't have to invest in "things that make a sucker out of people" to succeed ourselves.[16]

16 Horney, B. (2026, April 27). *Warren Buffett Calls Sports Betting a "Tax on Stupidity."* Yahoo Sports.

Considerations for Faith-Based Investors

“The Devil invented gambling.” – Saint Augustine

The Christian Investing Council has defined investing as “an expression of faithfulness” that “places capital at risk so that it can be used for mutually beneficial economic cooperation to create both financial and non-financial value.” While some may casually call buying a stock a “bet,” investing and gambling could not be less synonymous.

Investing seeks long-term value. Gambling seeks short-term outcomes. Investing connotes ownership. Gambling happens from the sidelines. Harkening to the very origins of the word, God has “invested” in His people – clothing them with an office of dignity and responsibility. In the incarnation, crucifixion, resurrection, and ascension, Christ has emptied His account to purchase a people that He might redeem them from disorder and death, and our mutual love with Him is a priceless ROI. He has not taken a mere chance that things might break the right way.

The long history of Christians railing against the dangers of rolling the dice may feel “holy roller,” indeed, but perhaps there is an age-old truth, not antiquated disillusionment, in the position. Capital is a gift worth growing for the sake of our families, neighbors, and world. Gambling beguiles people with the promise of quick profits. It therefore betrays the slow-and-steady nature by which the Christian God has nearly always worked.

The devil may not have invented gambling, but we would find it hard to argue that the Christian God created it.

Author:

Will Sorrell
Senior Director
of Values-Based
Investing

About Crossmark Global Investments

Crossmark Global Investments is a faith-based investment management firm that creates and manages values-based investment strategies with a goal of providing performance excellence for financial intermediaries and their clients. Founded in 1987, the firm specializes in developing tailored solutions and has a rich history of inspiring and equipping its clients to align their investments with their values.

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Crossmark Global Investments Inc. | advisorsolutions@crossmarkglobal.com | crossmarkglobal.com

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