

# In the Shadows of Giants

## Navigating the Long-Term Dynamics of Performance and Concentration in U.S. Equities

### Highlights

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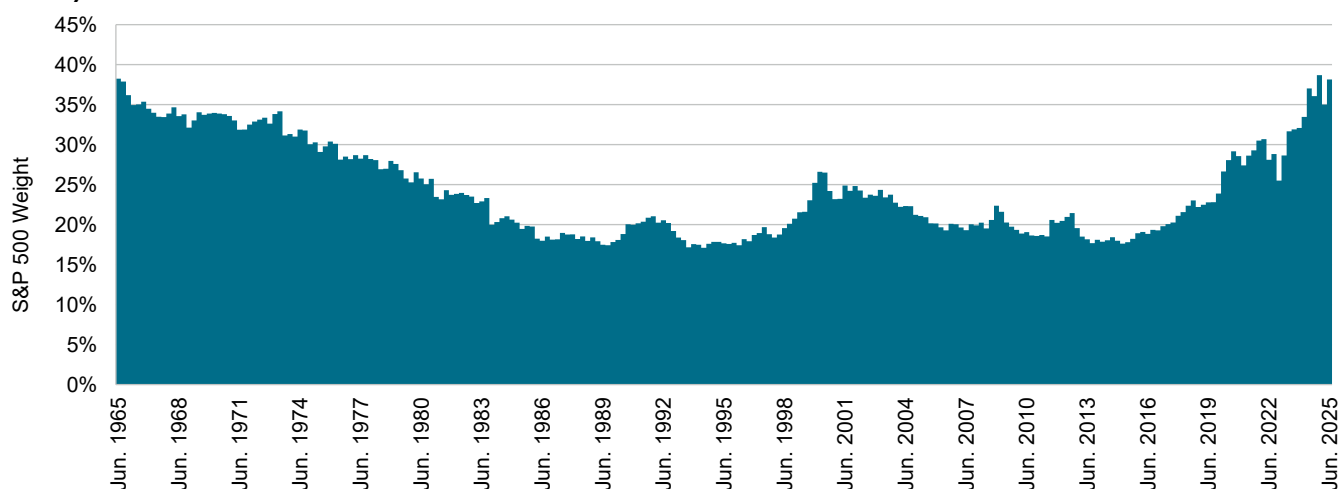
- The 10 largest companies in the S&P 500<sup>®</sup> represented almost 40% of the index by mid-2025, a level of concentration not seen since the mid-1960s.
- While the past does not guarantee the future, we can gain useful perspective by examining what happened last time 10 companies held a similar index weight.
- History shows a nuanced relationship between concentration and market performance and illustrates how changes in leadership can impact markets and their benchmarks.

The concentration of U.S. equity market capitalization in a select few mega-cap companies has reached levels not seen for more than half a century due to unprecedented investment in rapidly advancing and highly disruptive technologies. The potential risks and opportunities resulting from this market concentration may find parallels in historical trends, the examination of which offers insight into the continued relevance of broad, capitalization-weighted benchmarks such as the S&P 500.

# FANGs and the Evolving Monikers of the Past Few Decades

More than 12 years ago, CNBC’s “Mad Money” host Jim Cramer helped popularize the acronym “FANGs” for a select group of high-growth, technology-driven stocks that dominated their market segment. Other market participants and commentators subsequently observed and grew concerned about the narrow leadership within U.S. equity markets. The monikers and composition have evolved, but the overall outperformance by the largest U.S. companies was almost unchallenged throughout, and the distribution of market capitalization in the U.S. equity market became increasingly concentrated as a result. By mid-2025, the largest 10 companies in the S&P 500 represented almost 40% of the index, a level of concentration not seen since the mid-1960s.

**Exhibit 1: Top 10 Weights as a Proportion of the S&P 500 (Quarterly, June 1965-June 2025)**



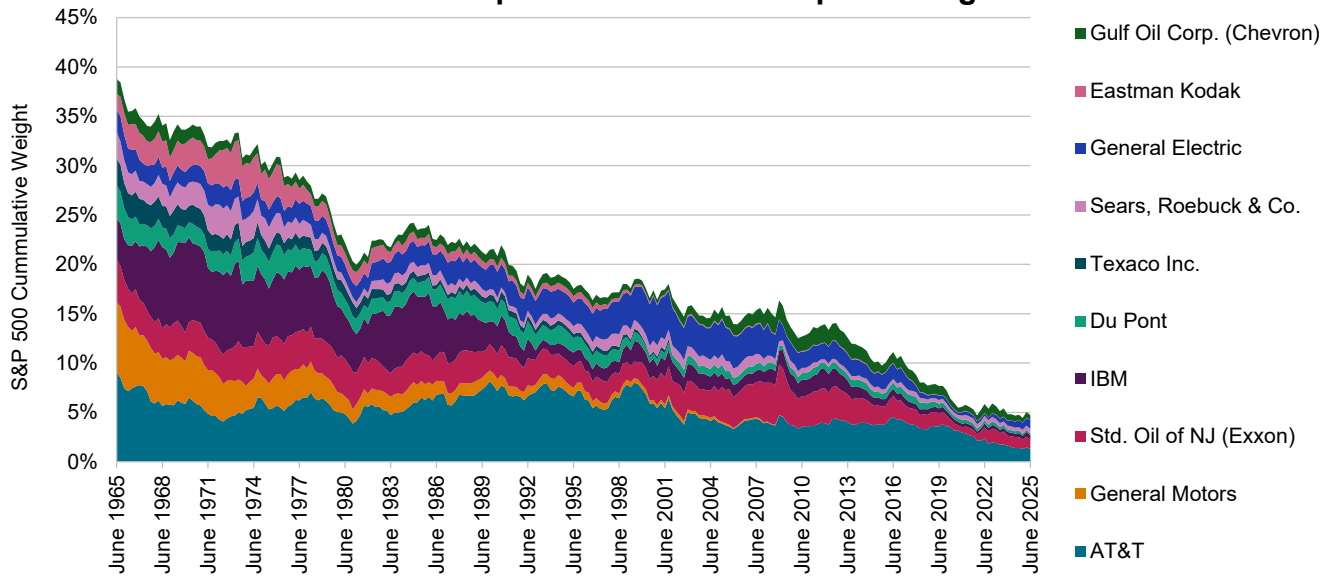
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Chart is provided for illustrative purposes. Note: Shows the weight of the then-current 10 largest companies.

Market participants are now considering the implications of this concentration. Does it represent a systemic risk for overall markets? Is a market-capitalization-weighted approach to investing (or benchmarking) still appropriate? What might happen if the current AI-fueled enthusiasm proves valuations are too optimistic? The past does not guarantee the future, but we can gain perspective by examining what happened last time 10 companies held a similar index weight.

Exhibit 2 illustrates the individual and cumulative weights of the earliest cohort of “Top 10” companies both as they were initially on June 30, 1965, and as they evolved over the following 60 years. To create this chart, we included the subsequent weights of spin-offs and demergers from the initial 10 companies, including AT&T’s dissolution into a multitude of “Baby Bells,” for

example, and weights following mergers were continued at pro rata proportions according to each merger’s terms and conditions.<sup>1</sup> The aggregate performance of the June 1965 Top 10 cohort was underwhelming. Three entered bankruptcy proceedings, all fell to represent much smaller weights, and several represent potential business school case studies in “what went wrong” with once widely admired and dominant U.S. corporations.

**Exhibit 2: June 1965 S&P 500 Top 10 Cohort – Subsequent Weights**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Chart is provided for illustrative purposes.

**Exhibit 3: Summary Statistics – June 1965 S&P 500 Top 10 Cohort**

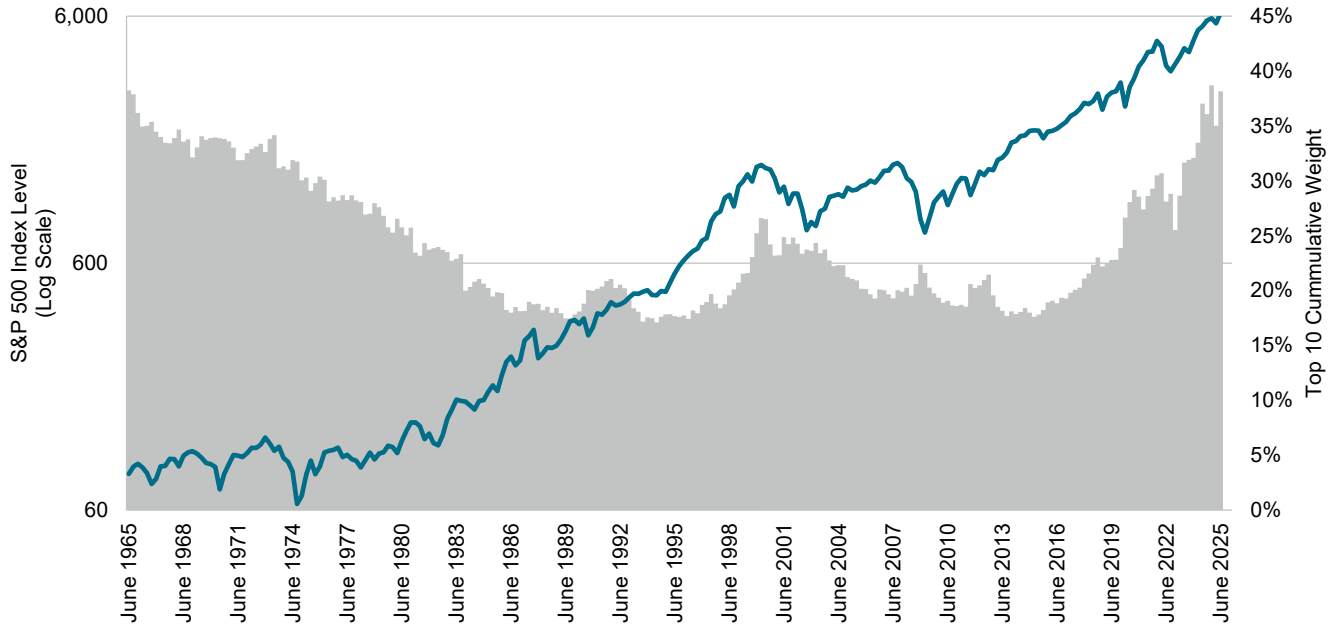
Company	June 1965 Weight	Max Subsequent Weight	June 2025 Weight	Exit from S&P 500 (if applicable)
AT&T	9.11%	9.11%	0.00%	November 2005
General Motors	7.06%	7.23%	0.00%	June 2009
Std. Oil of NJ (Exxon)	4.36%	5.41%	0.88%	Still a member
IBM	4.15%	9.04%	0.52%	Still a member
Du Pont	2.80%	2.80%	0.05%	Still a member
Texaco Inc.	2.71%	2.74%	0.00%	Merged with Chevron
Sears, Roebuck & Co.	2.68%	3.14%	0.00%	September 2012
General Electric	2.24%	4.53%	0.52%	Spin-off member
Eastman Kodak	1.66%	3.88%	0.00%	December 2010
Gulf Oil Corp. (Chevron)	1.47%	2.07%	0.44%	Still a member
Average	3.82%	4.99%	0.24%	54 / 60 Years In

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Table is provided for illustrative purposes. Max weight based on quarter end data.

<sup>1</sup> This exercise required a somewhat manual and discretionary approach. Overall, the weights of 35 different companies are represented as the successors or progeny of the original 10, with S&P Dow Jones Indices’ proprietary data complemented by public news sources and official records where necessary to determine which later companies represented the appropriate continuations.

These companies represented almost half of the index at the starting point, and many remained in the index, performing poorly over the next 60 years. It might seem likely, therefore, that the subsequent performance of the S&P 500 would also be disappointing. However, the opposite was true—albeit after a rocky start.

**Exhibit 4: S&P 500 Performance – June 1965 to June 2025**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on price return in USD (i.e., excluding dividends), shown in logarithmic scale (left axis). Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Exhibit 5: Returns and Concentration Changes by Decade – June 1965 to June 2025**

Period	Annualized S&P 500 Price Return	Change in Top 10 Weights over Period
June 1965-June 1975	1.17%	-9.16%
June 1975-June 1985	10.84%	-9.61%
June 1985-June 1995	12.53%	-1.80%
June 1995-June 2005	10.00%	3.25%
June 2005-June 2015	5.46%	-3.11%
June 2015-June 2025	11.66%	20.34%
<b>Full Period</b>	<b>7.42%</b>	<b>-0.09%</b>

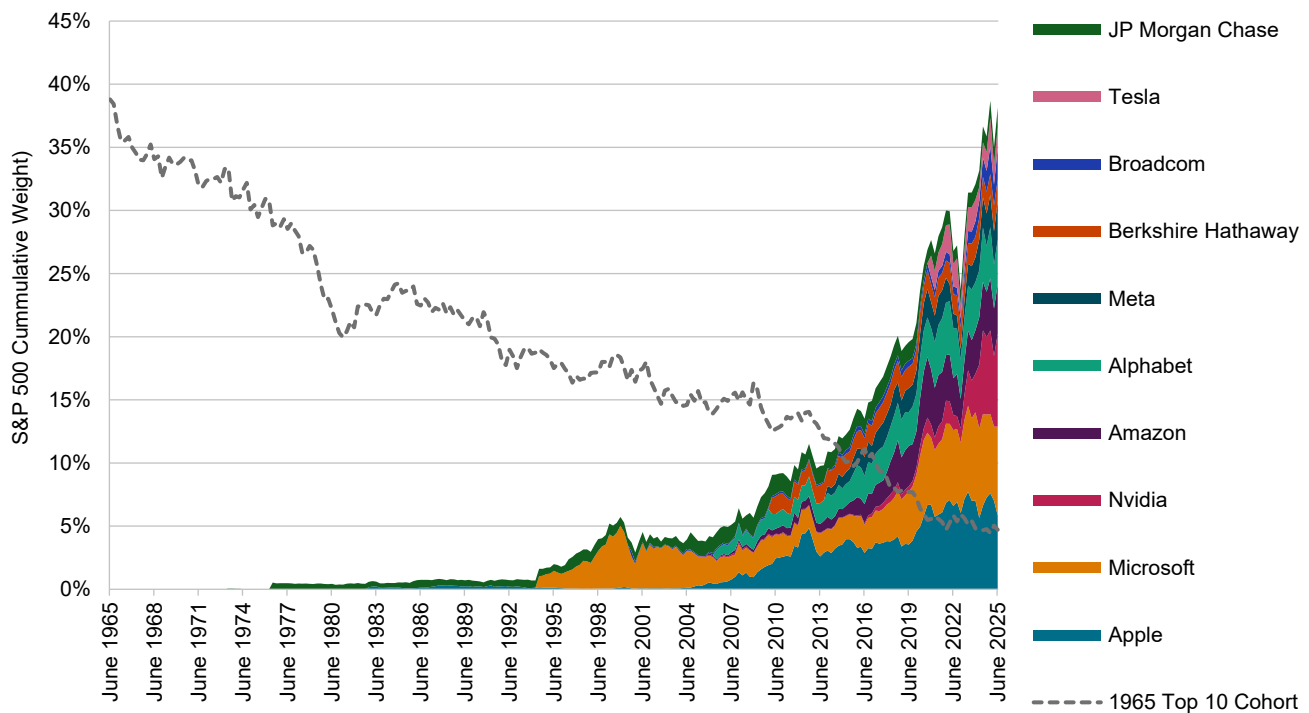
Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Index performance based on price return in USD (i.e., excluding dividends). Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Overall, there is a mildly positive statistical correlation between changes in concentration levels and index performance, and this is particularly evident during two periods: in the late 1990s and early 2020s, when both concentration and prices increased significantly. There are also periods when they moved in opposite directions—both in the short term and over the course of decades.

Changes in concentration can occur in various ways, indicating that the relationship between concentration and market performance is quite subtle. Concentration will decrease if the largest stocks perform relatively poorly, and it can also decrease when smaller index constituents perform unusually well. Both may happen at the same time, or neither. Over longer periods, a changing of the guard among the cohort of the largest companies may initially be associated with a decrease in concentration (as the old guard falters to lower rankings), followed by an increase in concentration as the new entrants expand their footprint at the top.

Exhibit 6 shows the rise of the “June 2025 Top 10” cohort (the 10 companies with the largest weights in the S&P 500 by the 2025 calendar midpoint) over the same six-decade period as we examined earlier. We use corporate predecessors, where appropriate, to represent the initial form of the included companies.<sup>2</sup> Even including predecessors, none of the 10 were index members at the start; their entry times and weights are shown in the following table.

**Exhibit 6: June 2025 S&P 500 Top 10 Cohort – Prior Weights**



Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Chart is provided for illustrative purposes. See Exhibit 1 for the 1965 Top 10 Cohort, included here for purposes of comparison.

<sup>2</sup> To offer a few illustrative examples, Meta’s initial weight is represented by what was then known as Facebook; we show the combined weights of both Chase Manhattan Bank and JP Morgan & Co. prior to their combination as JPMorgan Chase, and we include both share classes of Alphabet (formerly Google) from the point they were both included in the S&P 500.

**Exhibit 7: Summary Statistics – June 2025 S&P 500 Top 10 Cohort**

Company	S&P 500 Entry Date	Starting Weight	Maximum Weight	Length of Time in S&P 500 (to June 2025)
JP Morgan Chase	June 1973	0.04%	1.9%	52 Years
Nvidia	November 2001	0.07%	7.3%	24 Years
Amazon	November 2005	0.13%	5.0%	20 Years
Apple	November 1982	0.18%	7.7%	43 Years
Broadcom	July 2000	0.37%	2.5%	25 Years
Meta	December 2013	0.58%	3.1%	12 Years
Alphabet	April 2006	0.67%	4.4%	19 Years
Microsoft	June 1994	0.94%	7.3%	31 Years
Berkshire Hathaway	February 2010	1.28%	2.1%	15 Years
Tesla	December 2020	1.58%	2.4%	5 Years
Average	January 2001	0.58%	4.37%	24 Years

Source: S&P Dow Jones Indices LLC. Data as of June 30, 2025. Table is provided for illustrative purposes. Max weight based on quarter end data.

The average constituent joined the S&P 500 around a quarter of a century ago, with an average starting weight of 0.58% and an average maximum subsequent weight of 4.37%—a more than sevenfold increase. Simple arithmetic confirms that this means each constituent's growth in market cap was many multiples of the market's return during their tenure.

To emphasize the point, the overall S&P 500 was not excessively impacted by its underperforming heavyweights, because it included around 490 other companies. A rare select few among these delivered truly exceptional returns, which drove the entire market higher. In approximate terms, just 10 of them are responsible for one-third of the market's subsequent overall growth.<sup>3</sup>

This gives an important perspective on the merits (or demerits) of weighting benchmarks or investments according to market capitalization. At first glance, capitalization weighting may seem disadvantaged; the long-term history of capital and stock markets suggests that the current leaders will eventually face challengers. At least statistically, today's cohort of the very largest companies is unlikely to be the very best-performing stocks of the future. If they do flounder, their weights in the benchmark will naturally decline. The future leaders may already be included among the relative minnows in the index, in which case a capitalization-weighted approach ensures both an initial participation in their gains and a future weight that grows in proportion to their relative outperformance.<sup>4</sup>

<sup>3</sup> This approximation ignores stock issuances, buybacks, dividends, the impact of other index adds and drops and several other factors, but it is an informative heuristic; if those companies entered at weights that summed to around 6%, and they now represent 40% of the total market cap of the index, then they were approximately responsible for adding the difference (i.e., 34%) of the total.

<sup>4</sup> It is perhaps worth pointing out that although other changes may be necessary, maintaining market capitalization weightings does not require turnover to achieve these increases and decreases in weights—they simply rise and fall in proportion with the associated price changes among constituents.

# Conclusion

Markets, and the benchmarks that measure and reflect them, are anything but static. They evolve in response to shifting economic landscapes, technological advancements and investor preferences. Those with a crystal ball may be able to achieve higher returns if they can identify the next generation of giants. Yet most of us are absent such foresight; it may prove wiser to ride the waves of change than to position for a perfect storm. As illustrated, a broad-based, capitalization-weighted approach may continue to offer an efficient way to evolve and adapt with the emerging contenders as they compete to become the next titans.

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