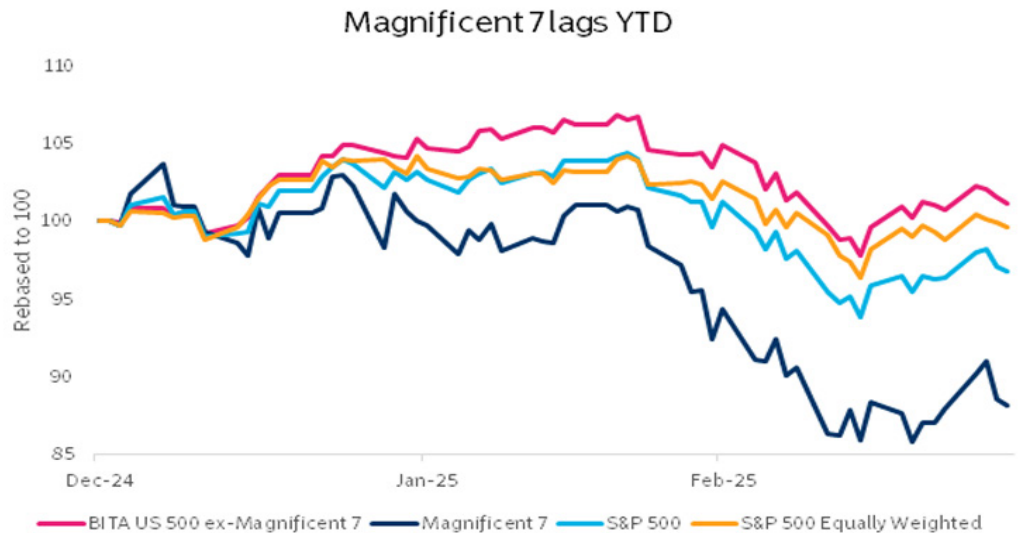


Lag-nificent 7

By Gabby Byron

Chart of the Week



Source: Bloomberg Finance L.P., as at 28 February 2025.

What this chart shows

The chart compares the year-to-date performance of the S&P 500, a market cap-weighted index of the Magnificent 7, the equal-weighted S&P 500 as well as the BITA US 500 ex-Magnificent 7 Index. While this handful of stocks drove returns in 2023 and 2024, their dominance has faded so far in 2025, with the group underperforming an equal-weighted approach.

Why this is important

Market leadership changes over time, and history suggests that extreme concentration in a small group of stocks rarely lasts indefinitely. Similar trends played out after the dot-com boom, when a handful of high-growth names eventually gave way to broader market participation. The recent underperformance of the Magnificent 7 highlights the risk of excessive exposure to a small group of names, especially when valuations are stretched.

For portfolio positioning, this shift reinforces the case for diversification. We've recently introduced exposure to an equal-weighted S&P 500 fund in some of our portfolios to help reduce reliance on those dominant names and capture opportunities across a broader range of companies. As the name suggests, the equal-weighted fund assigns an equal weight to all 500 companies within the S&P 500, reducing the concentration risk inherent in traditional market cap weighted indices. So far in 2025, smaller weighted companies within the S&P 500 have outperformed and the equal-weighted structure has allowed their performance to make a more meaningful impact. On top of this, the emergence of DeepSeek significantly impacted major tech stocks at the end of January, triggering a sharp sell-off in AI related stocks, with Nvidia falling 17% in a single day. While mega-cap tech remains a core part of the market, a more balanced approach may offer better returns as leadership rotates.



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