

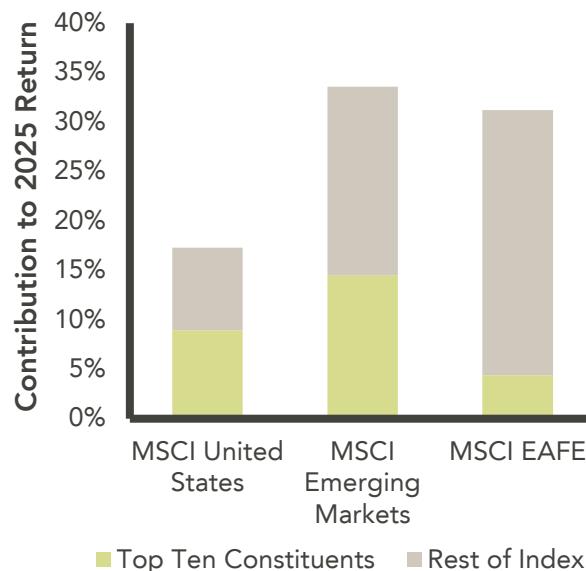
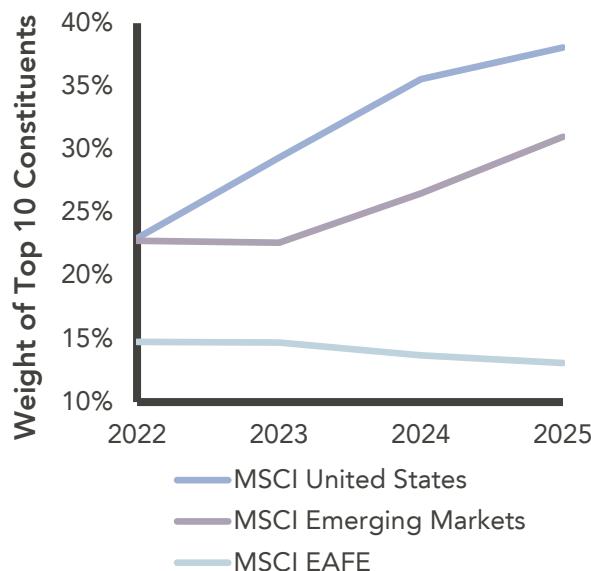
Chart of the Week

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Concentrating on Market Concentration

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Recent trends have led to increased concentration within U.S. and emerging market indices, while developed international markets remain more diversified



Source: FactSet as of December 31, 2025. Top 10 constituents calculated as of December 31 of each calendar year.

Last week, Alphabet joined NVIDIA, Microsoft and Apple as the only companies to ever reach a market capitalization of \$4 trillion. The growth of these and other U.S. mega-cap technology companies has completely changed the composition of indices that measure the domestic equity market. Indeed, the weight of the top 10 constituents of the MSCI United States Index (which is comprised of large- and mid-cap stocks) sat at roughly 23% just three years ago. At the end of last year, however, that figure sat closer to 38%. As can be seen above, this concentration has resulted in a handful of stocks driving a significant share of overall index returns in recent periods. Interestingly, the theme of market concentration is not exclusive to domestic indices. For instance, companies in China, Taiwan, and South Korea have helped provide the materials required for the artificial intelligence boom, and the growth of these businesses has led to higher levels of concentration for the MSCI Emerging Markets index. The top 10 constituents now represent slightly less than one-third of this index, and TSMC, the largest producer of semiconductors in the world, notably comprises roughly 12% of the benchmark. Similar to trends within domestic markets, these top constituents had an outsized impact on the return of the MSCI Emerging Markets Index in 2025.

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Interestingly, the MSCI EAFE Index, which is comprised of non-U.S. developed markets large- and mid-cap stocks, has not followed these same trends, with the weight of its top 10 constituents actually decreasing in recent years. While its largest holding is ASML, a supplier for the semiconductor industry, this benchmark is not nearly as heavily tilted towards the AI boom as domestic and emerging markets indices. For this reason, developed international markets could be a stronger source of diversification for investors moving forward. ■

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