FIERA CAPITAL

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# U.S. Equity Market Concentration

## How Different Is This Time?

Fiera Apex Team

**How market leadership is evolving, what history can tell us about periods of broadening and what the current environment could mean for active management.**

Over the past 10 years, equity markets have become increasingly concentrated, surpassing the levels reached during the dot-com bubble in the early 2000s. As of August 31, the top 10 companies in the S&P 500 represented nearly 40% of the index's total market capitalization.

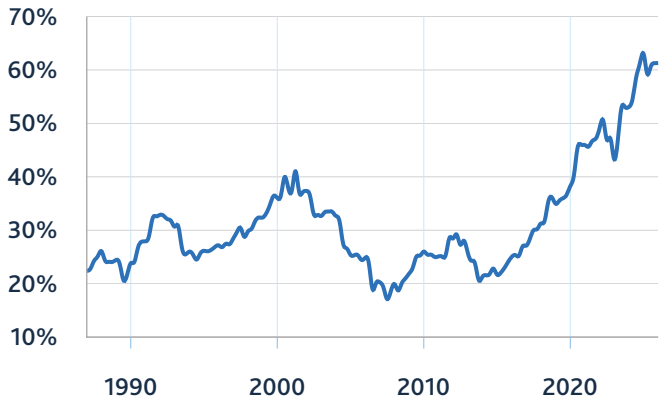
Concentration is significantly more pronounced within style indices such as the Russell 1000 Growth Index, where the top 10 holdings accounted for nearly 60% of the benchmark.

**This is a marketing communication.**

# Evolving Market Concentration

The concentration has largely been driven by the earnings growth and profitability of mega-cap technology stocks, and recently investor enthusiasm around artificial intelligence. While periods of high concentration do not predict if a theme is a bubble, history suggests that during periods of market broadening, active management has tended to outperform.

## Russell 1000 Growth Top 10 Holdings Weight



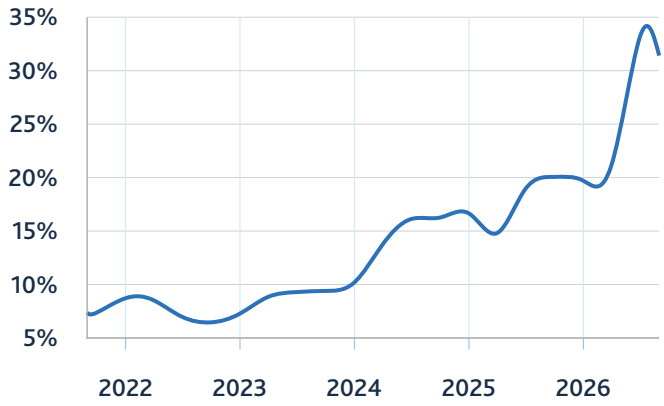

Source: FactSet 12/31/1986-12/31/2025

The Russell style indices are now reconstituted semi-annually, and the June 2026 reconstitution shifted concentration within the Russell 1000 Growth Index rather than meaningfully reducing it. Exposure to the Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) declined by approximatly 10% as portions of Amazon, Apple, and Microsoft were reassigned to the Russell 1000 Value Index. At the same time, the growth benchmark added companies associated with the AI infrastructure buildout, including Micron and Advanced Micro Devices.

As a result, semiconductor exposure increased from roughly 24% to 33% of the index. While the index became somewhat less reliant on the Magnificent Seven, overall concentration remains elevated and has become more closely tied to the broader AI ecosystem. Roughly one third of the index is made up of one industry group.

That's unprecedented. And to further muddy the waters, the line between growth and value has continued to blur as a subset of the Magnificent Seven have become top ten positions in the Value Index (Apple, Amazon and Microsoft). The overlap between indices is now another factor to consider when assessing diversification benefits of a passive allocation.

## Semiconductors as a % of Russell 1000 Growth Index




Source: FactSet 8/31/2021-8/31/2026

Although concentration levels are high, there are important differences between market leaders today and those in prior cycles. Unlike many of the companies that led the market during the dot-com era, today's largest constituents generate substantial earnings, free cash flow, and returns on capital. As a result, elevated concentration reflects both strong fundamentals and investor enthusiasm surrounding artificial intelligence. While forward valuation multiples have moderated from recent highs, the key question for investors is whether future earnings growth will be durable enough to justify such large index weights.

Periods of increasing market concentration often favor market-cap-weighted indices because gains are often driven by a narrow group of the largest weighted stocks. For example, in the first half of 2026, market leadership remained heavily concentrated in AI-related beneficiaries within the semiconductor and technology infrastructure sectors, which caused some active portfolios to slightly lag.

# Concentration, Dispersion and the Active Opportunity

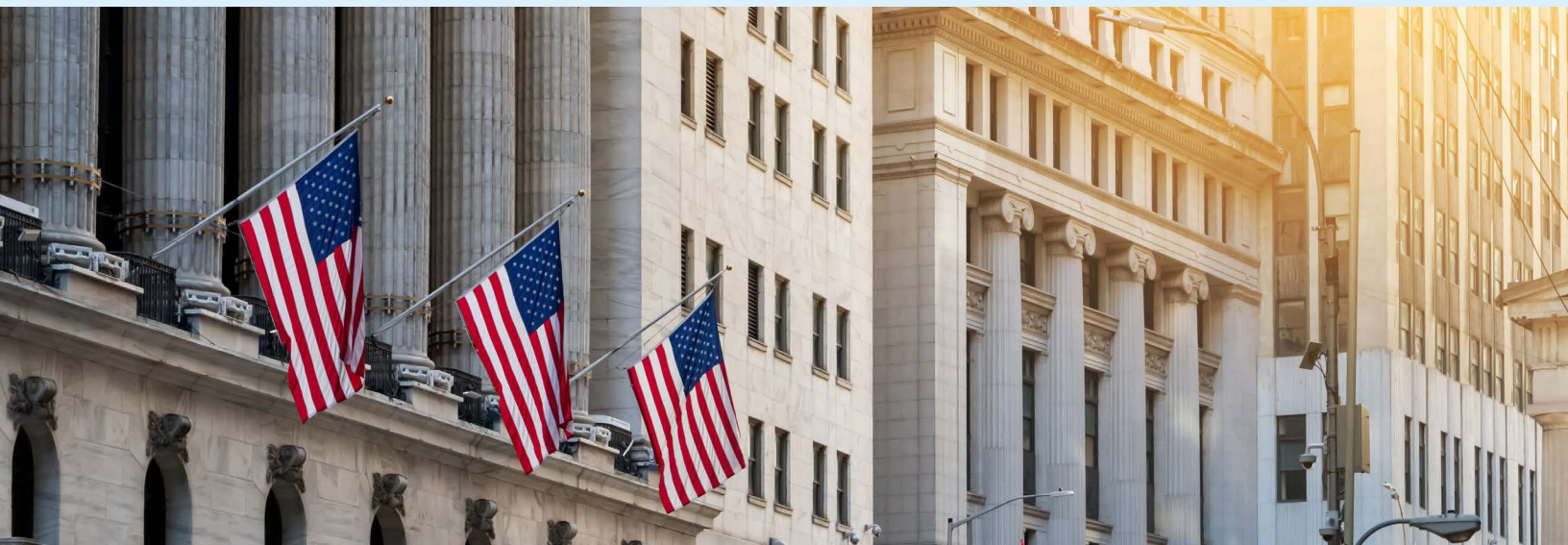
The table below illustrates the historical relationship between market concentration and active manager performance within the US Large Cap Growth universe. The data suggests that as concentration dissipates and dispersion between stocks increases, opportunities for active stock selection have typically improved.

Looking at the market today, it is probable that AI-related market leaders may continue to benefit from strong secular tailwinds, but history suggests that a broadening of market leadership could create a more favorable environment for active management.

## Active Performance Benefits from Broadening Markets

| Dates | Market Leadership (Concentration in Top 10) | Russell 1000 Growth Index Rank | Active Outperforms |
|---|---|---|---|
| July 1989 – December 1991 | More Concentrated | 43 | ✗ |
| January 1992 – June 1994 | Less Concentrated | 87 | ✓ |
| July 1994 – March 2001 | More Concentrated | 79 | ✓ |
| April 2001 – June 2007 | Less Concentrated | 77 | ✓ |
| July 2007 – March 2012 | More Concentrated | 43 | ✗ |
| April 2012 – September 2013 | Less Concentrated | 53 | ✓ |
| October 2013 – September 2026 | More Concentrated | 19 | ✗ |

Source: FactSet, eVestment 7/30/1989-9/30/2026. "Active Outperforms" signifies periods where the Russell 1000 Growth Index falls below 50th percentile in eVestment US Large Cap Growth Universe.



While today's market concentration is high by historical standards, the composition of that concentration continues to evolve. The June 2026 Russell reconstitution highlights this dynamic, as exposure shifted from the Magnificent Seven to companies tied to the AI infrastructure buildout. Although these periods of elevated concentration can persist longer than many investors expect, the winners of today are rarely the winners of tomorrow. Over the last 40 years, the S&P 500 has undergone a profound transformation.

Leadership has shifted from energy, consumer staples and industrial giants to a handful of technology-driven companies that now account for a significant share of the index's value and returns. If this pattern ultimately reemerges, opportunities for active managers may improve.

Until then, investors should recognize that index performance remains increasingly dependent on a relatively small group of companies and themes, making it important to understand not only the level of concentration, but also the underlying drivers behind it.

## The Takeaway

**Today's market concentration is historically elevated, but its composition continues to change.**

As AI-related businesses assume greater weight across major indices and the boundaries between traditional growth and value benchmarks become less distinct, understanding the underlying sources of portfolio concentration may be as important as measuring the level of concentration itself.



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