

Macro Roundup Article

Headline: [Will Today's Behemoths Rule Tomorrow?](#)

Article Link: <https://mailchi.mp/verdadcap/the-top-five?e=7b209e1099>

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Tweet: Chris Satterthwaite notes the overperformance of the top-5 market cap stocks is historically unusual and speculates that technological advances ranging from AI and superconductors will likely drive significant churn over the next decade.

Summary: The phenomenon of the largest stocks delivering the best returns is new, in our opinion. In fact, from 1994 to 2013, an annually rebalanced portfolio of the largest 5 stocks ("Big 5") in the US had a comparable return to the entire S&P 500. But both portfolios significantly lagged a large-cap value portfolio (per Ken French). The last 10 years have seen a concentration of returns to the tech sector and to a few companies within that sector. This is both notable and unusual. With the advent of exciting new technologies like AI and superconductors, we think it's plausible that the top 5 largest companies 10 years from now may look quite different from the top 5 today. In which case, a diversified portfolio would likely serve investors better than a highly concentrated size-defined portfolio. Related: Birth, Death, and Wealth Creation and Mr. Toad's Wild Ride: The Impact Of Underperforming 2020 and 2021 US IPOs and The Economics of Inequality in High-Wage Economies

Primary Topic: Financial Markets

Topics: Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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