

Macro Roundup Article

Headline: [Magnificently Concentrated](#)

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Tweet: Ben Inker and John Pease note that large-cap stocks have historically underperformed the market, and argue the Magnificent 7 stocks that currently make up 28% of the S&P 500's market cap will underperform going forward. @GMOInsights

Summary: The largest stocks certainly don't underperform all of the time, but on average, they have substantially trailed the average S&P 500 stock, as we can see in Exhibit 2. Since 1957, the 10 largest stocks in the S&P 500 have underperformed an equal-weighted index of the remaining 490 stocks by 2.4% per year. But the last decade has been a very notable departure from that trend, with the largest 10 outperforming by a massive 4.9% per year on average. History suggests that the next decade is likely to see a reversal of the recent pattern with the capitalization-weighted version of the S&P 500 underperforming the equal-weighted version. In such an environment, active managers will suddenly look much better versus the S&P 500 and other capitalization-weighted benchmarks.

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