ARKK Portfolio Concentration Analysis: Key Findings

ARKK carries 35–40 stocks, but the actual P&L is extremely concentrated. The weight-based Herfindahl-Hirschman Index (HHI) is on the order of 0.04–0.05, equivalent to 20–26 "positions" in effect. That "spread" seems diversified, as they say. But P&L analysis tells us that only 5–10 stocks really matter. In other words: as an investor you may believe you have a well diversified portfolio, returns are actually largely dependent on just a few positions.

The top 5 holdings account for 200–500% of total returns, while the rest of the 30+ stocks collectively lose money. Traditional risk metrics based on position weights are seriously understated for this level of concentration. A single 2.5% position by weight can account for 50% of total returns. Data show that in 15% of the weeks studied, the top 5 stocks contributed more than 200% of total returns and all other positions served to drag down performance.

Losers are more concentrated than winners. Positive P&L is spread across around 25 stocks, but losses are concentrated in about 13 stocks, with the top 5 losers accounting for 84% of total losses. When markets fall, a small number of positions can pull down a whole portfolio. Trends appear stable until they're broken over two weeks in a row - that's when volatility gets bad. Last April all 35 holdings fell simultaneously, showing that diversification failed when most needed.

Concentration increased significantly in 2025. The weighted HHI rose from 0.041 to 0.051, and P&L concentration doubled, with the top 5 contributors increasing from 250% to 548%. The 63% quarterly return was driven mainly by COIN, HOOD and other crypto/fintech names as well as gaming stock RBLX, rather than broad portfolio strength. This indicates a shift away from technology hardware toward more speculative digital assets at higher than market risk.

When the top 5 stocks account for more than 500% of total returns, it means that most of the portfolio's stocks are losing money and. It becomes very sensitive to just those few positions. Weekly returns range from -13% to +11%, but are fundamentally related to 5–10 stocks. The portfolio structure looks like a leveraged bet on a few core positions with many poorly performing holdings.

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