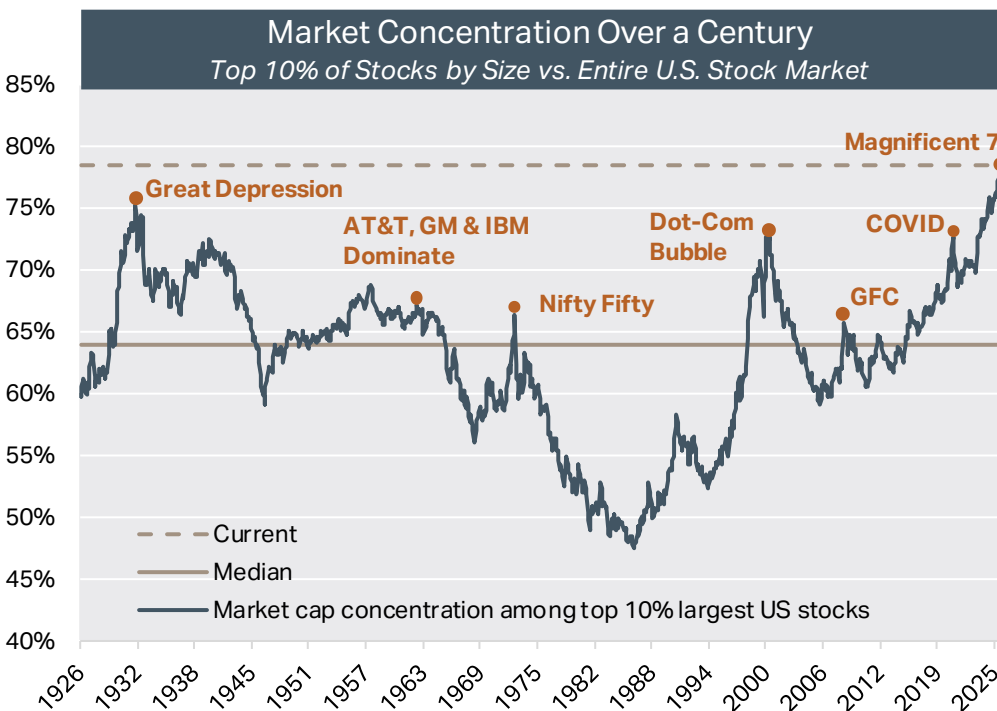


# Market Concentration: At the Tipping Point?

Investors are paying more attention to the concentration of the largest public companies in market indexes. At the end of December 2025<sup>1</sup>, the Magnificent 7 cohort made up 35% of the S&P 500 Index. Let's explore market concentration over time and its implications for portfolio positioning opportunities.

## Market Concentration History

Periods of market concentration are not unprecedented. Markets move in cycles, and so do concentration trends, which are illustrated over nearly a century in the graph below.



### KEY TAKEAWAYS

- Concentration peaks can occur during both economic contractions (e.g., Great Depression – 1930s, Great Financial Crisis – mid-2000s) and expansions (e.g., AT&T, GM, and IBM Dominate – 1960s, Dot-Com Bubble – 1990s).
- Concentration (and diversification—periods of increased market breadth) cycles span many years, rather than months or quarters.
- **The market is more concentrated now than at any point in the last century, as indicated by the “Current” dotted line and Magnificent 7 dot in the chart.**

Source: Ken French's Website - <http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/index.html> and Bahl & Gaynor. Data through 11/30/2025.

## Concentration & Diversification Cycles

At Bahl & Gaynor, we value studying market history, and we find it helpful to review four concentration and diversification cycles (pictured to the right): 1932, 1957, 1973, and 2000.

### KEY TAKEAWAYS

- On average, concentration and diversification cycles are approximately equal in length.
- Concentration and diversification cycles can unfold quickly (1973 concentration cycle, 2000 diversification cycle) or over much longer periods (1932 diversification cycle, the 2000 concentration cycle).
- **The current concentration cycle, which began in 2006, is unprecedented in length over 19 years.**

Concentration & Diversification Cycle Duration		
Peak	Concentration Cycle (Years)	Diversification Cycle (Years)
1932	N/A	13.9
1957	11.4	11.3
1973	4.3	12.8
2000	14.8	5.4
Current Cycle	19.5*	N/A*
Average**	10.2	10.8

Source: Ken French Data and Bahl & Gaynor. Data as of 11/30/2025.  
 Note: Concentration cycles and diversification cycles represent the period of time elapsed between peak and trough concentration and diversification. Complete data is not available for the concentration peak ending in 1932.  
 \*It is not yet clear whether the current concentration cycle still in progress or has ended, therefore its ultimate length is not currently known with certainty, nor is the length of the subsequent diversification cycle. \*\*Average is determined only from the 1932, 1957, 1973, and 2000 cycles. It does not include the current cycle column.

# Market Concentration: At the Tipping Point?

## Implications: The Potential Benefits of Diversification

With the current concentration cycle nearing two decades, understanding how equity performance has historically changed in a post-peak diversification cycle may provide useful context for investors. The table below illustrates that, based on historical data, market concentration peaks have been followed by diversification cycles with the following dynamics:

- **Equal-weighted portfolios have, in some cases, outperformed market cap-weighted portfolios**, with significant performance differences over time during a diversification cycle.
- **Small cap portfolios have, at times, outpaced large cap portfolios**, being the second most affected by this cycle.
- **Value style portfolios have, in certain instances, performed differently than growth-style portfolios**, though the impact is the weakest compared to the other two, the performance results are still significant.

Relative Market Performance Dynamics After Concentration Peak				
	3 Year	5 Year	10 Year	Diversification Cycle Average
Equal Wgt. - Cap Wgt. <sup>2</sup>	13%	12%	8%	9%
Small - Large <sup>3</sup>	10%	9%	8%	8%
Value - Growth <sup>4</sup>	6%	8%	4%	7%

Source: Ken French Data and Bahl & Gaynor. Annualized Returns. Data as of 11/30/2025.

### BOTTOM LINE

Innovative technologies, such as cloud computing, weight loss drugs, and advances in artificial intelligence, have influenced market trends during this concentration cycle, contributing to the performance of *cap-weighted, large-cap, and growth style* exposures in investor portfolios.

**At Bahl & Gaynor, we believe the insights in this paper may be for investors planning for the future. Historically, actively managed strategies have included exposure to equal-weighted, small-cap, and value style investments—areas that have been out of favor in this extended concentration cycle. As a diversification cycle emerges, these characteristics may present compelling opportunities.**

Our solutions incorporate these elements, along with strategies for growing portfolio dividend income and providing downside protection. We look forward to supporting investors as this cycle evolves and eventually shifts to the next phase.

### IMPORTANT FOOTNOTES, DISCLOSURES AND DEFINITIONS

<sup>1</sup>Source: Bahl & Gaynor and FactSet. Data as of 12/31/2025. <sup>2</sup>Calculated using Ken French data which includes all NYSE, AMEX and NASDAQ stocks. Equal Wgt. – Cap Wgt. uses equal weighted and cap weighted returns based on Ken French’s portfolios formed on size. <sup>3</sup>Small – Large uses Ken French’s SMB Fama/French Factor portfolio. <sup>4</sup>Value - Growth uses Ken French’s HML Fama/French Factor portfolio.

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**Magnificent 7 Cohort** refers to a group of seven influential U.S. technology companies: Alphabet (the parent company of Google), Amazon, Apple, Meta Platforms (formerly Facebook), Microsoft, NVIDIA, and Tesla. **Concentration Cycle** refers to a phase where the equity market becomes specifically concentrated, or top-heavy, in a group of the largest publicly traded companies. **Diversification Cycle** refers to a phase where the equity market becomes more broad-based, typically driven by a widening out of the market away from specific sectors or a group of securities. **Equal-weighted Index** is a type of stock market index where each component stock has the same weight, regardless of its market capitalization. **Cap-weighted Index**, or market-capitalization-weighted index, is a type of stock market index in which each component stock is weighted according to its total market value (market capitalization). **Small Capitalization Companies**, often referred to as small-cap stocks, are companies with a market capitalization typically between \$200 million and \$2 billion. **Large Capitalization Companies**, or large-cap stocks, are companies with a market capitalization typically of more than \$10 billion. **Value Companies** are typically stocks with strong fundamentals and stable earnings. **Growth Companies** are typically stocks with high-growth potential and future expansion.

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