

Vanguard

Don't fear concentration: The dynamic beauty of market-cap weightings

 Adviser 3.0

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The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

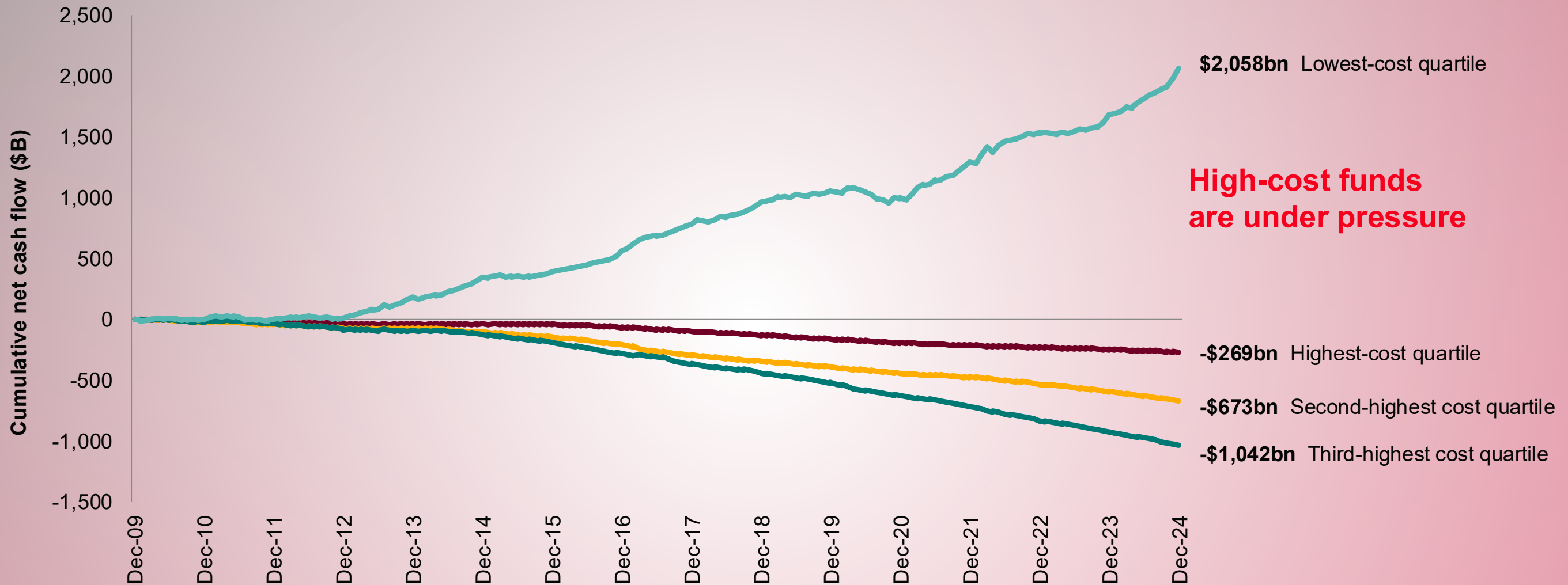


Advisory Research Centre: Our Mission

Deliver relevant, useful and actionable thought leadership to our clients, to help them deliver great outcomes for their clients via our 3 research pillars:



US equity fund flows - last 15 years



Costs matter: All net flows into lowest cost quartile.



Source: Vanguard Investment Advisory Research Center calculations, using data from Morningstar, Inc., as of 31 December 2024.

Notes: Dates correspond to December months of each respective year. Expense-ratio quartiles were calculated annually. Shown for each quartile are the 2024 asset-weighted average expense ratios, determined by multiplying the annual expense ratios by the year-end assets under management and dividing by the aggregate assets in each quartile.

Vanguard

Considerations for advisors: Historical perspective on equity weighting

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Market leaders change all the time






Weighting in...

2025

 NVIDIA	6.6%
	6.1%
 Microsoft	5.5%
Alphabet	5.0%
	3.4%
 BROADCOM	2.5%
 Meta	2.2%





31%

2020

	5.3%
 Microsoft	4.4%
	3.6%
Alphabet	2.7%
	1.7%
 TESLA	1.4%
BERKSHIRE HATHAWAY INC.	1.1%







20%

2010

ExxonMobil	2.6%
	2.1%
 Microsoft	1.5%
	1.4%
IBM	1.3%
	1.3%
P&G	1.3%

12%

2000

	3.2%
ExxonMobil	2.0%
	2.0%
 CISCO	1.9%
	1.7%
Walmart 	1.6%
 Microsoft	1.6%

14%

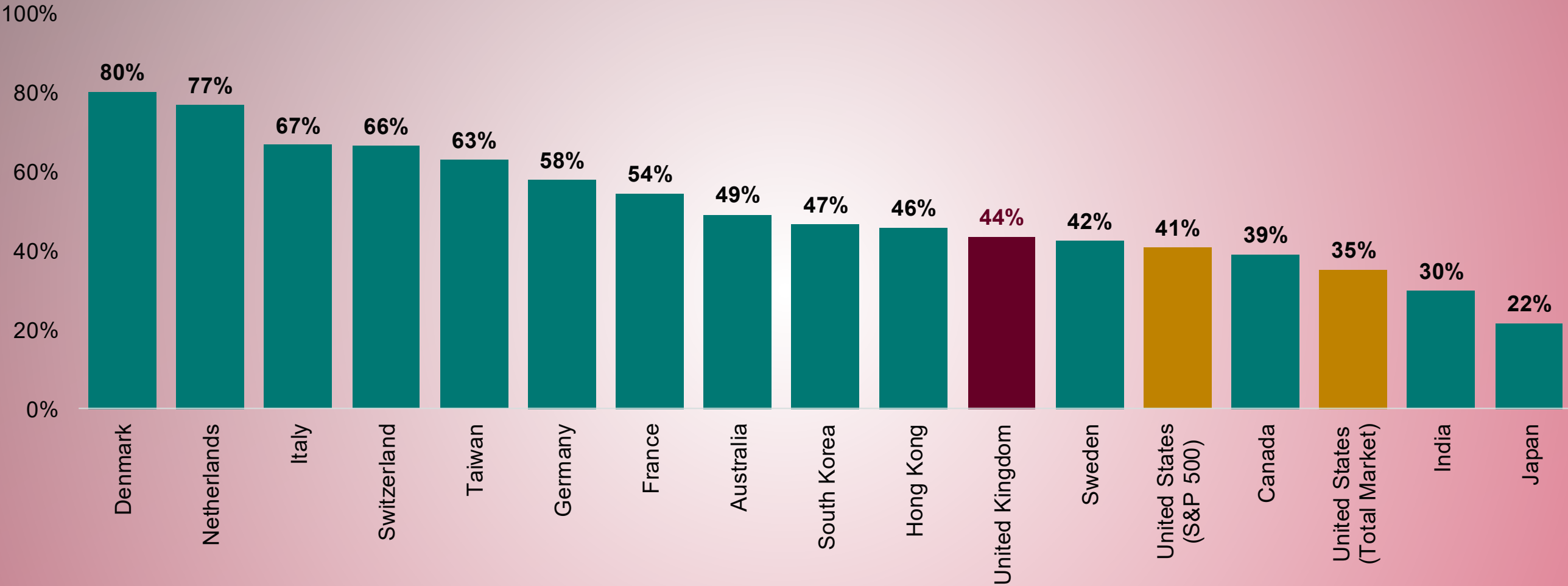
Past performance is no guarantee of future returns

Notes: The data displayed are the companies' individual market concentration percentage in terms of total net assets.

Source: Vanguard. The 7 largest stock holdings of VTI as of 31/12 of the stated years.



Equity market concentration is normal across international markets

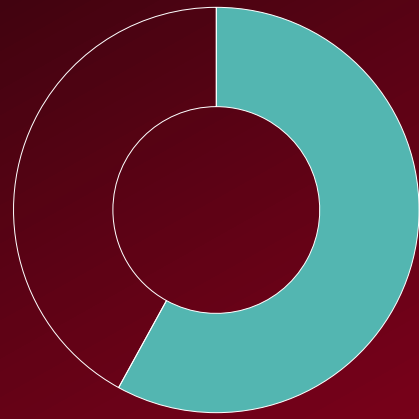


Source: Vanguard Investment Advisory Research Center calculations using data from FactSet, Inc.
Notes: Non-U.S. equity concentration measured as top 10 stocks per country in FTSE Global All-Cap ex U.S. as of 15 September 2025 and for the United States, CRSP U.S. Total Equity Market as of 15 September 2025

**Bessembinder
study:
“Do stocks
outperform
Treasury bills?”**

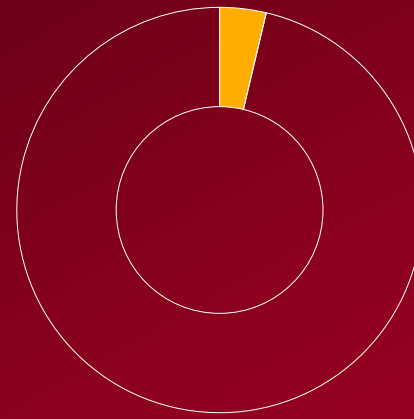


A small percentage of US stocks have produced much of the market's wealth creation (1926-2025)



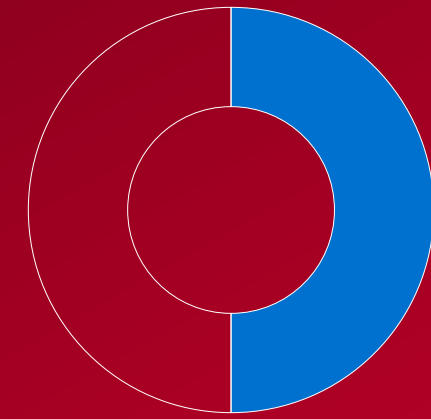
59%

of stocks failed to
beat Treasury bills



3.7%

of stocks are
responsible for
equities
outperforming
Treasuries



46

Companies
produced half of the
\$91 trillion total
wealth generated

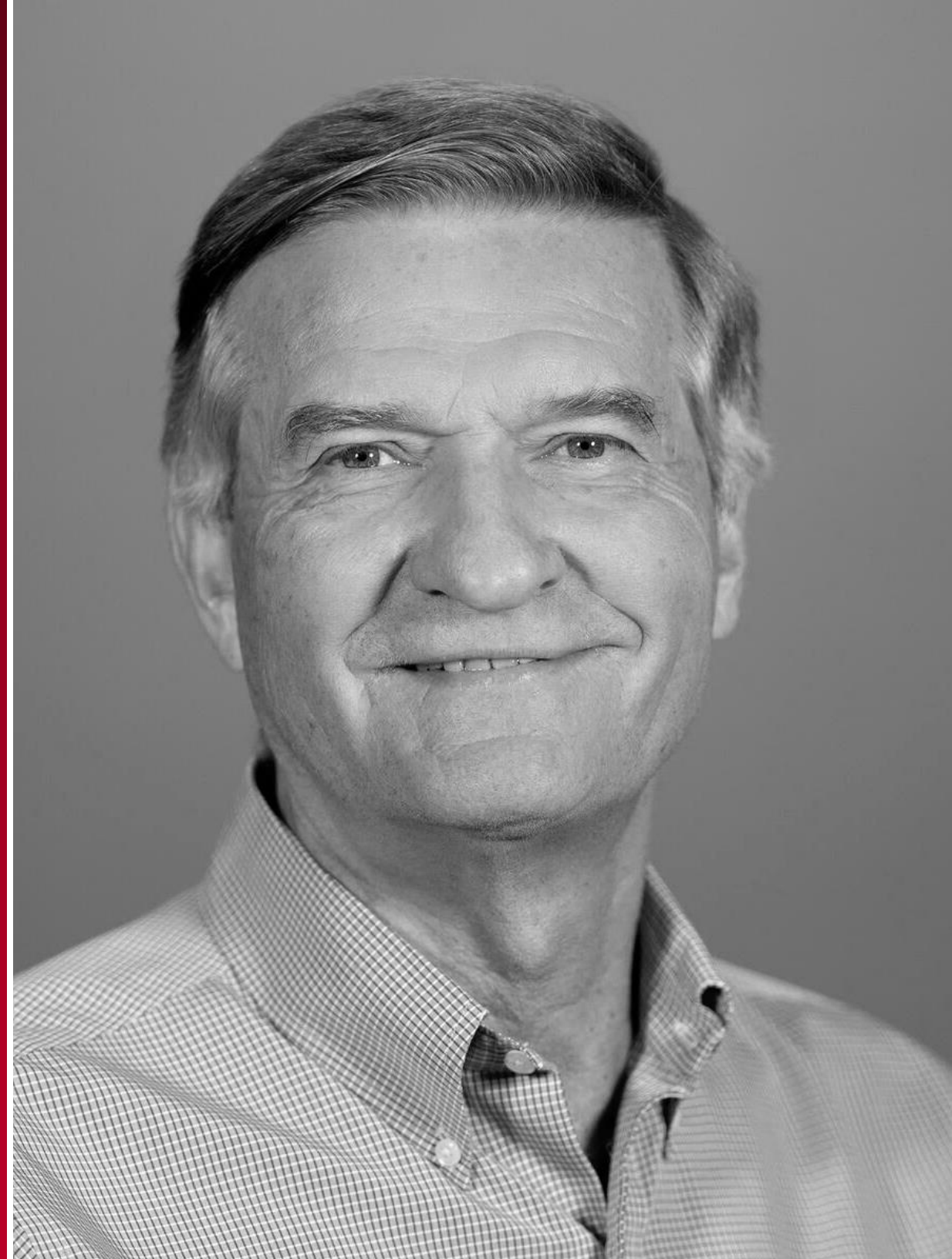


Source: Vanguard calculations using data from *Shareholder Wealth Enhancement*, Bessembinder (2025)

Notes: Calculations based on total net wealth creation of individual U.S. publicly traded stocks as a percentage of total U.S. net wealth creation from all publicly traded U.S. stocks.

“The majority of individual stock investments led to decreased rather than increased wealth in the long run”

— Hendrik Bessembinder



Over **29,000**
publicly traded US
stocks however..

46 firms
created **50%** of
market wealth



Source: Vanguard calculations using data from *Shareholder Wealth Enhancement*, Bessembinder (2025)

Notes: Calculations based on total net wealth creation of individual U.S. publicly traded stocks as a percentage of total U.S. net wealth creation from all publicly traded U.S. stocks.

Common stocks with the highest cumulative returns



S&P 500 in focus

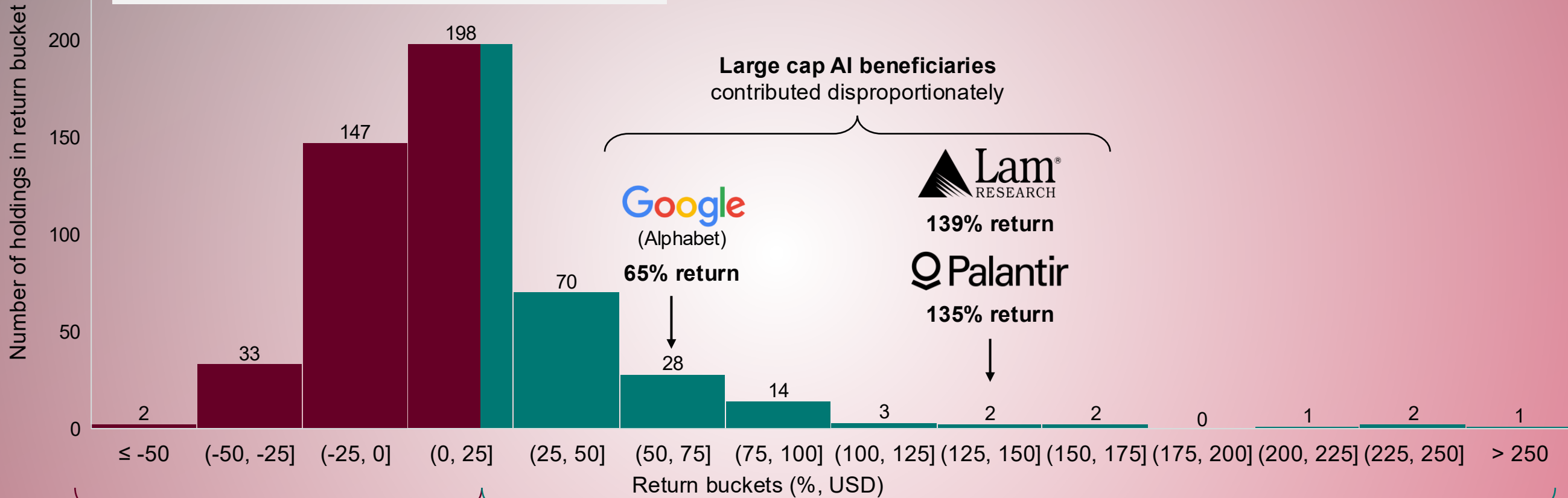


S&P 500 USD Total Return in 2025

Overall return:
17.9%

Average individual stock return:
13.5%

Median stock return:
8.7%



Large cap AI beneficiaries contributed disproportionately

Google
(Alphabet)
65% return

Lam[®]
RESEARCH
139% return

Palantir
135% return

68% of constituents underperformed the index

A long tail of outperformers pulled up the mean average

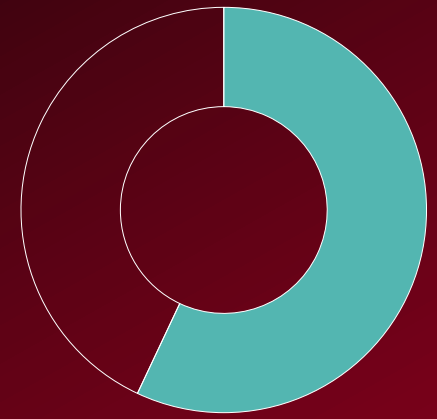


Past performance is not a reliable indicator of future results.
Note: Calculation uses the holdings at 31 December 2025. Returns are total returns with income reinvested, in USD.

Bessembinder study: Global stocks 1990-2020

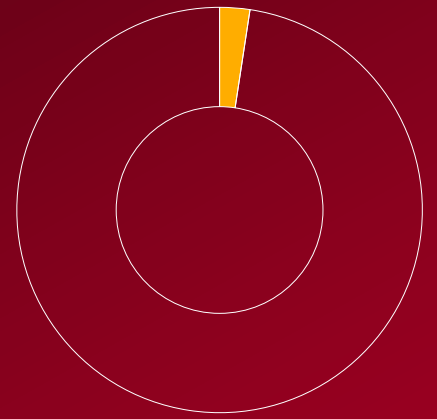


A small percentage of global stocks have produced all of the market's wealth creation (1990-2020)



57%

of stocks failed to beat Treasury bills



2.4%

of stocks are responsible for equities outperforming Treasuries

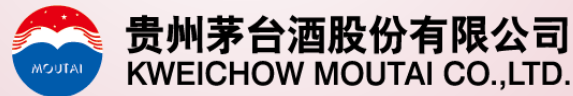
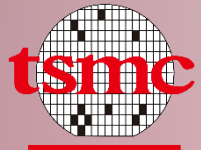


64,000
50,000
40,000
Total number of companies that generated half of the total wealth...
20,000
10,000
5,000
159 companies



Source: Vanguard calculations using data from *Long-Term Shareholder Returns: Evidence from 64,000 Global Stocks*, Bessembinder (2023).
Notes: Calculations based on total net wealth creation of individual U.S. publicly traded stocks as a percentage of total U.S. net wealth creation from all publicly traded U.S. stocks.

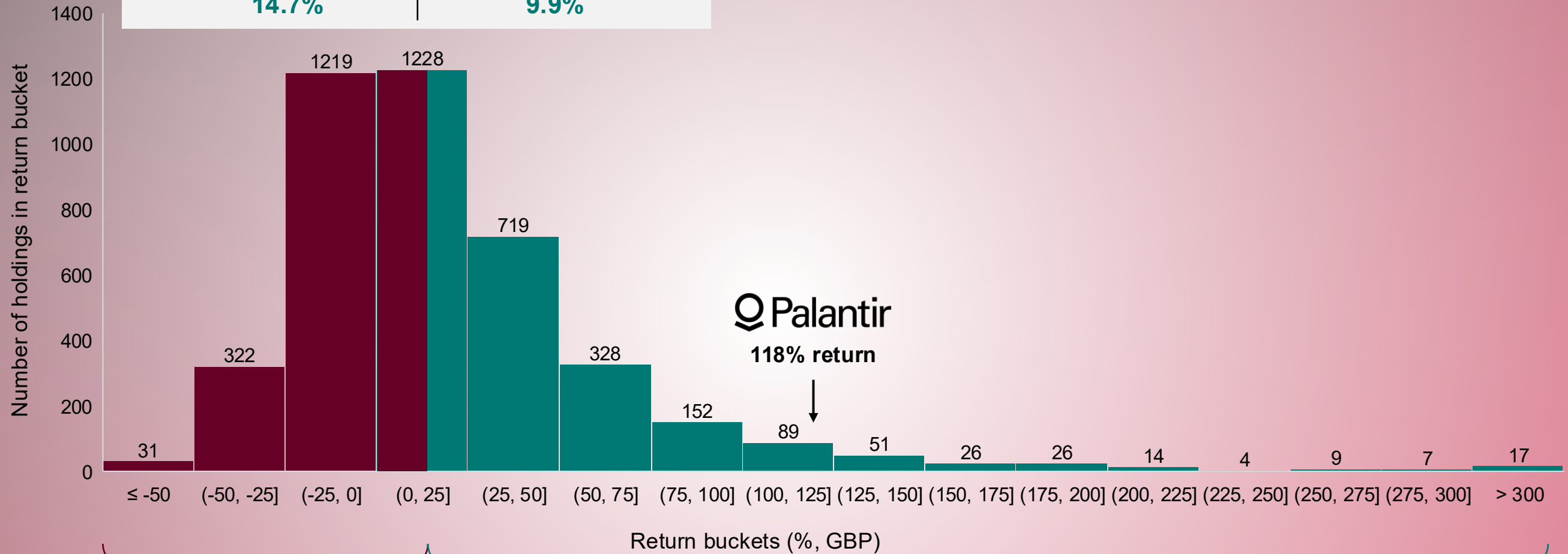
25 global firms that created the most wealth (1990-2020)



FTSE All World GBP Total Return in 2025

Overall return:
14.7%

Median stock return:
9.9%



56% of constituents underperformed the index

A long tail of outperformers pulled up the mean average



Past performance is not a reliable indicator of future results. Movements in currency exchange rates can adversely affect the return of your investment.

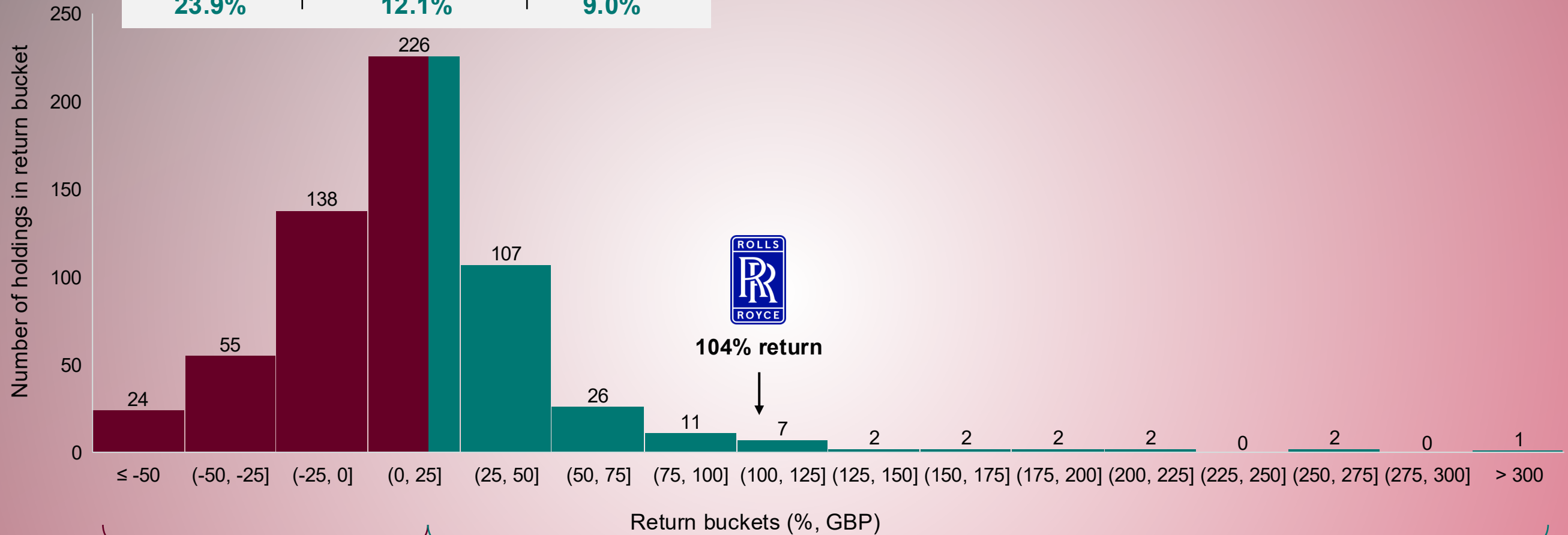
Note: Calculation uses the holdings at 31 December 2025. Returns are total returns with income reinvested, in GBP. Asset class returns shown do not represent specific Vanguard products. This analysis reflects the composition of the FTSE All World at one point in time. Results may differ across periods.

FTSE All Share GBP Total Return in 2025

Overall
return:
23.9%

Average individual
stock return:
12.1%

Median stock
return:
9.0%



71% of constituents underperformed the index

A long tail of outperformers pulled up the mean average



Past performance is not a reliable indicator of future results. Movements in currency exchange rates can adversely affect the return of your investment.

Note: Calculation uses the holdings at 31 December 2025. Returns are total returns with income reinvested, in GBP. Asset class returns shown do not represent specific Vanguard products.

This analysis reflects the composition of the FTSE All Share at one point in time. Results may differ across periods.

Additional Considerations

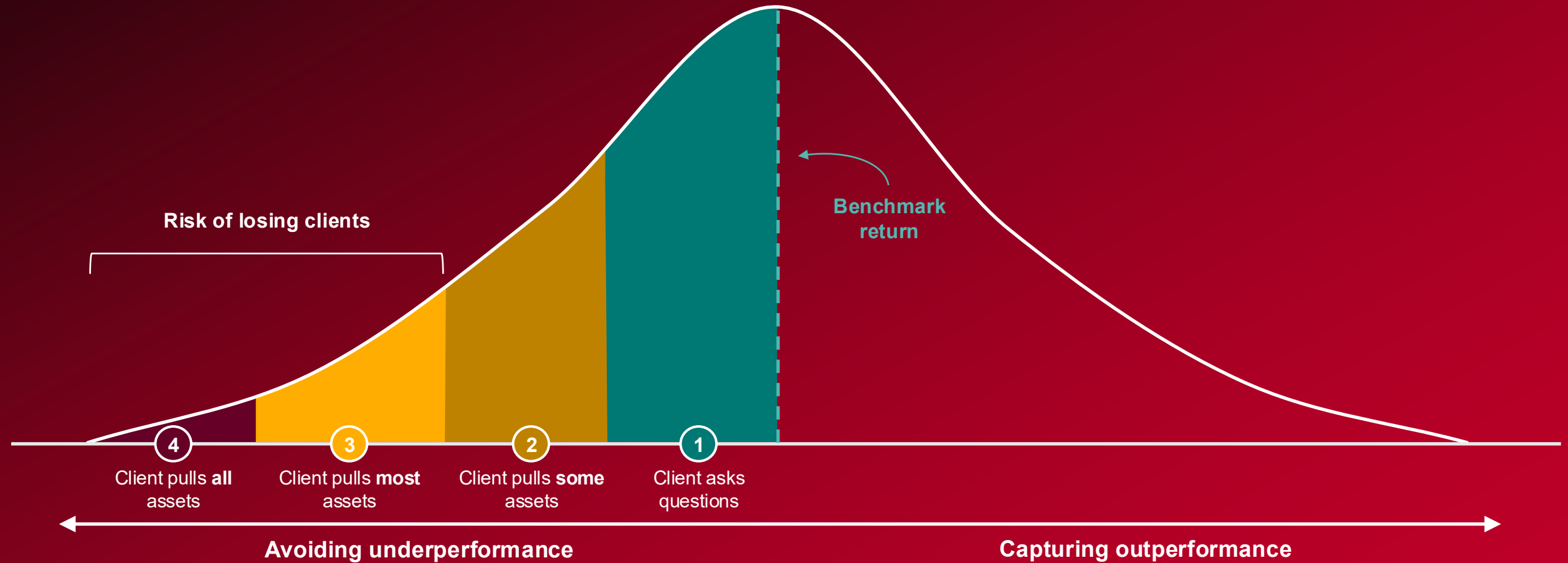
On average, over any 90% of growth (1926-2024) wealth has been created by only 2% of stocks from top 1% of firms in U.S. account for 50% of wealth creation (1990-2024)

Source: Vanguard calculations using data from *Shareholder Wealth Enhancement*, Bessembinder (2024) and *Wealth Creation in the U.S. Public Stock Markets 1926-2019*, Bessembinder (2020)

Notes: Calculations based on total net wealth creation of individual U.S. publicly traded stocks as a percentage of total U.S. net wealth creation from all publicly traded U.S. stocks.



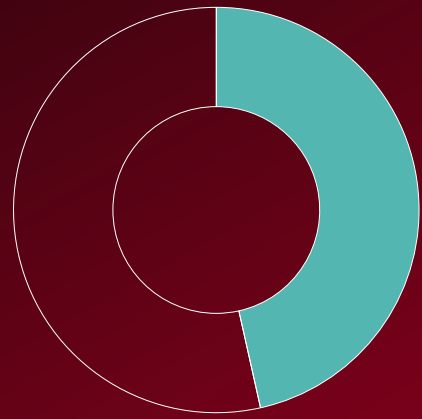
Additional Considerations



Collectively, the risks of investors reaching their goals, along with risks to the advisor/client relationship are clearly on underweighting the market's top names.

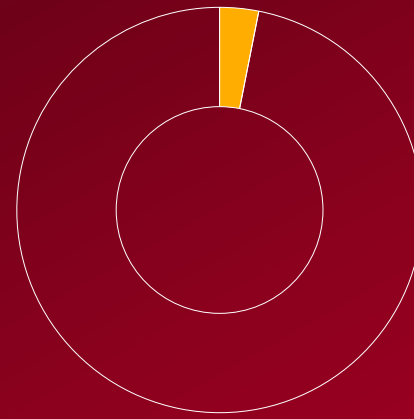


A small percentage of UK stocks have produced all of the market's wealth creation (1975-2024)



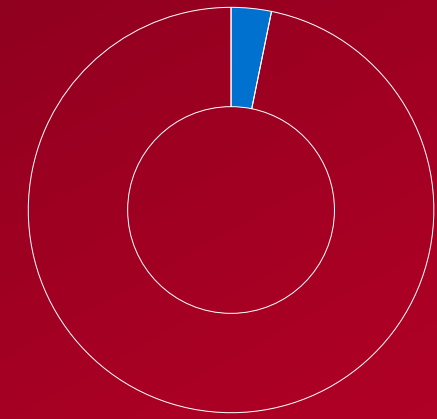
46.5%

of stocks created
positive real wealth



3.1%

of stocks generated
the aggregate net
wealth



3.2%

of small stocks
generated the
aggregate net
wealth



“Don’t look for
the needle in the
haystack. Just
buy the haystack.”

— John C. Bogle



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Investment risk

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