

LAURENTIUS **VAN DEN WORM**

Head of Investment Strategy

*Growth Series 2026!*

# BEYOND THE MAGNIFICENT 7:

Rethinking Diversification in a Concentrated Market



# Agenda

**The Global Markets – A Story of Efficiency**

**1**

**A Focus on Market Concentration**

**2**

**A Case for Enhanced Indexing**

**3**

**Graphics to Better Support Conversations**

**4**

**Any Questions?**

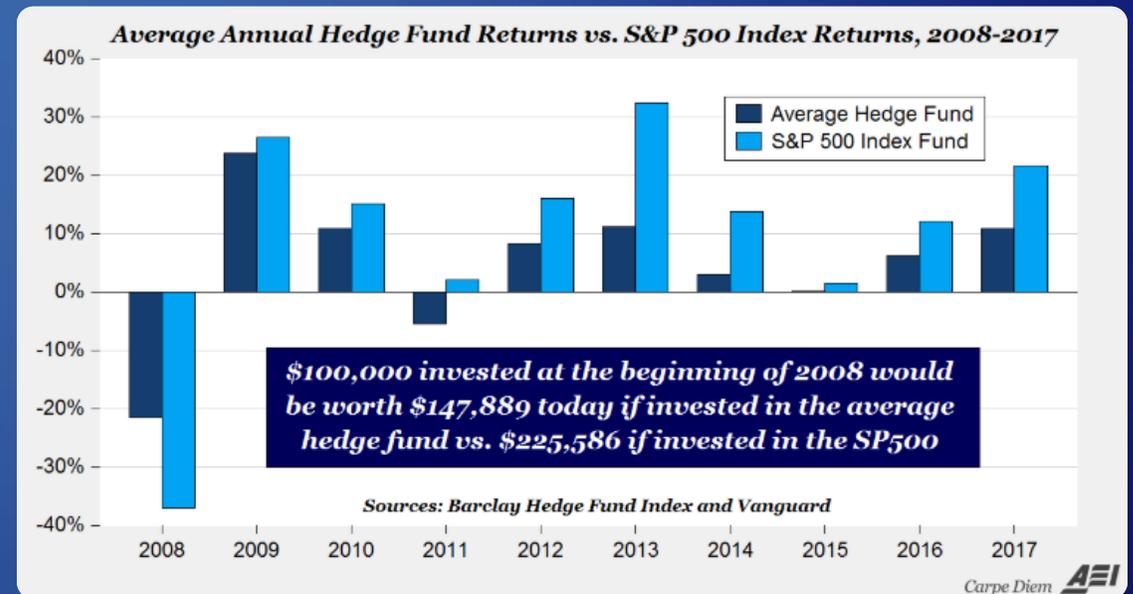
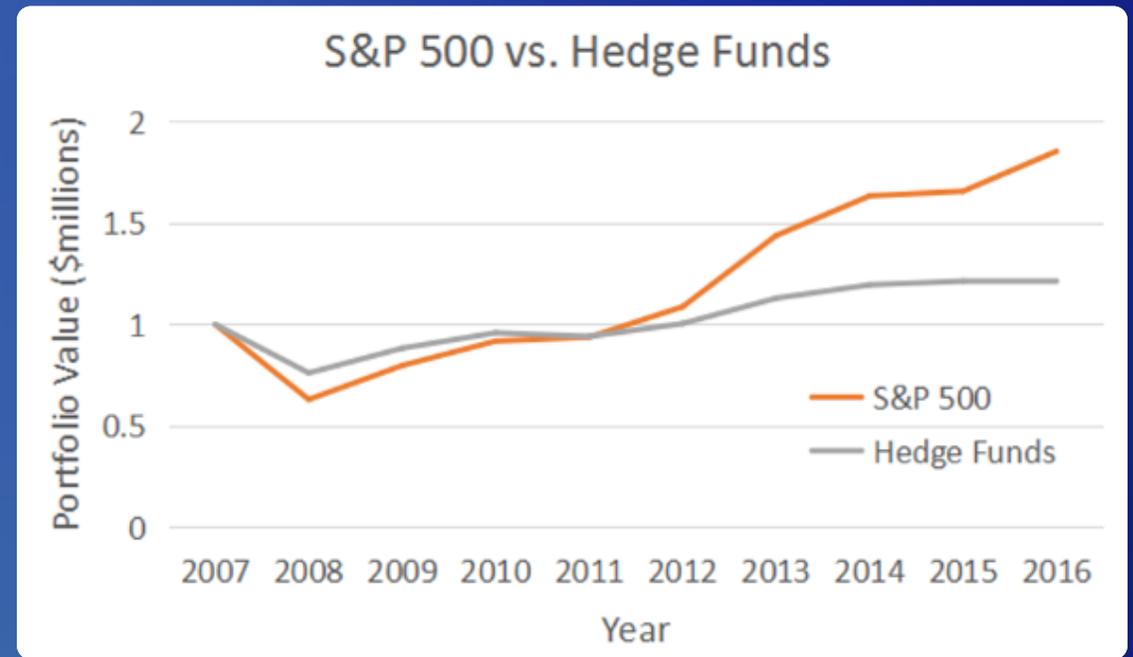
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# THE GLOBAL MARKETS:

## A Story of Efficiency



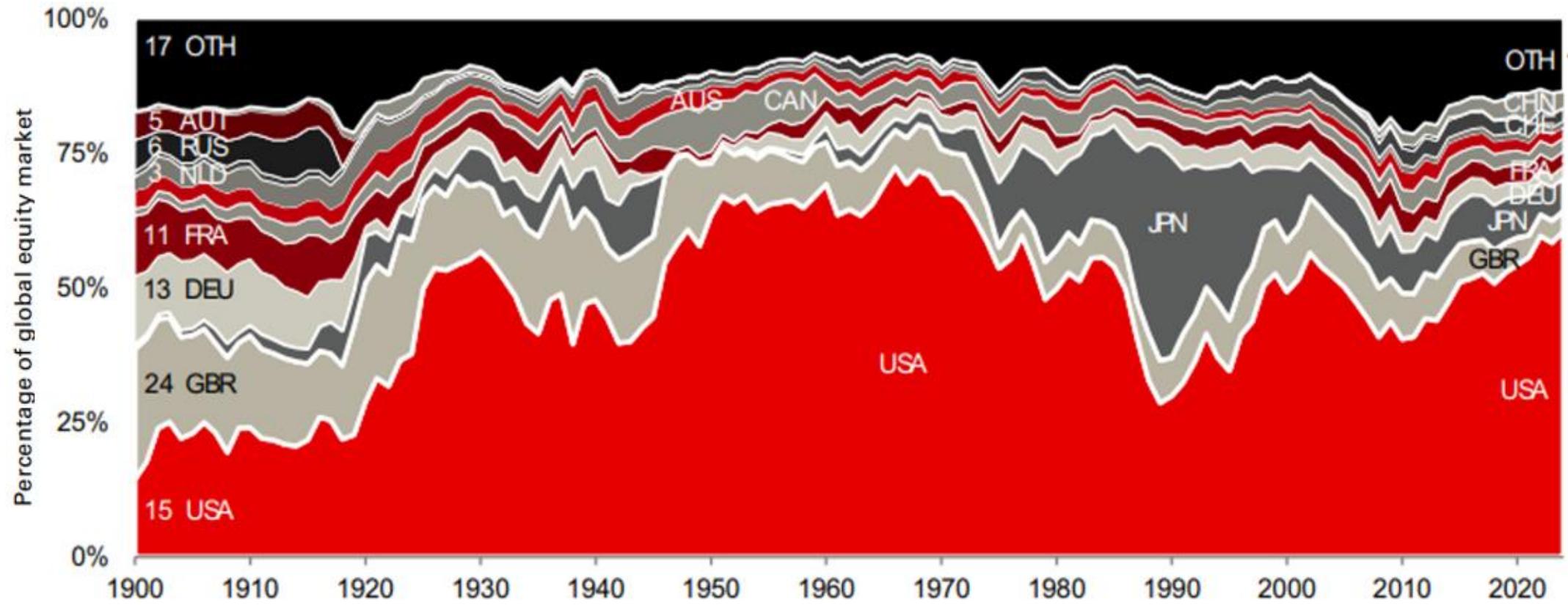
# Buffet's \$1m dollar bet against hedge funds



Sources: AEI (Carpe Diem) via Mark J. Perry, "Warren Buffett wins \$1M bet made a decade ago that the S&P 500 stock index would outperform hedge funds," 2018, aei.org; chart also cited in Investments for Expats, "Structured Notes – What You Need to Know as an Expat," investmentsforexpats.com.

# Efficient Market Hypothesis – Indexing isn't Static

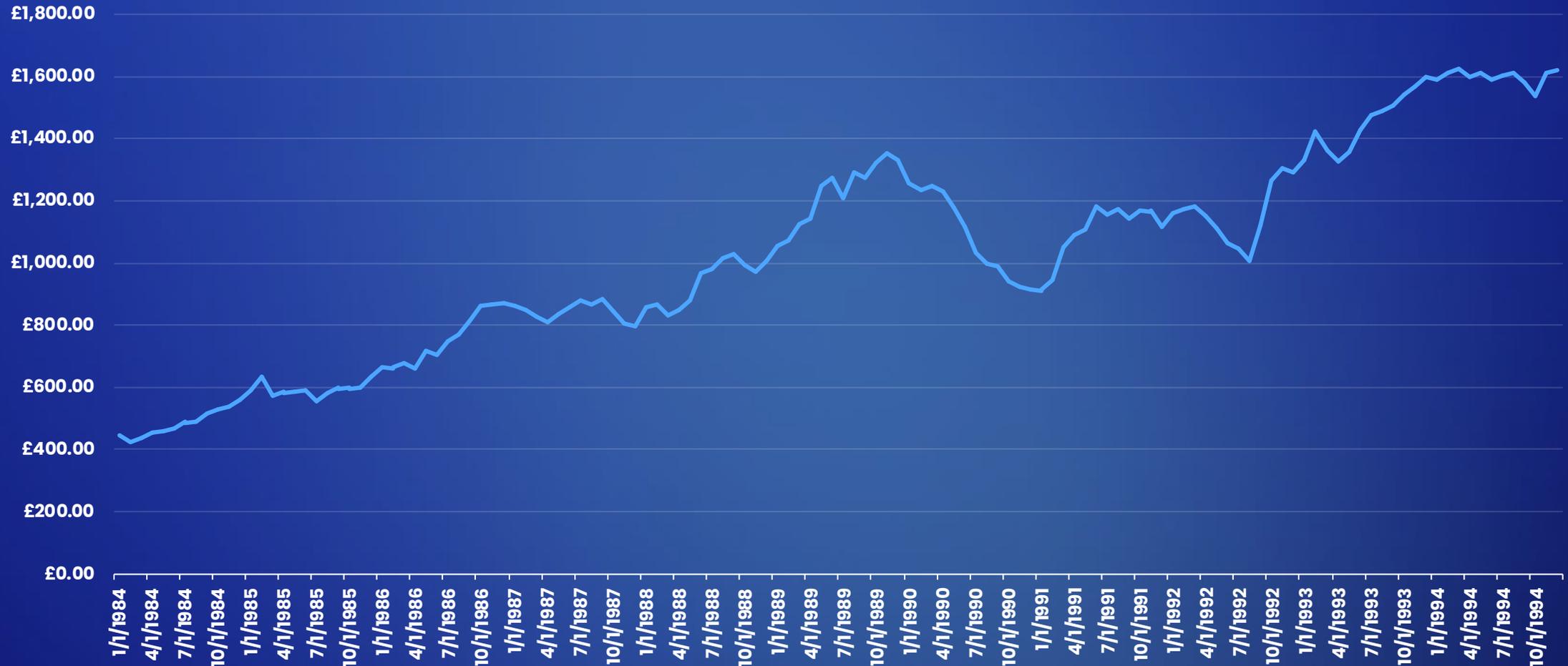
## Historical Mix of Global Equity Market Capitalisation



Source: UBS Global Investment Returns Yearbook: Summary Edition 2024 Elroy Dimson, Paul Marsh and Mike Staunton, DMS Database 2024 and FTSE Russell All-World Index Series weights (recent years).  
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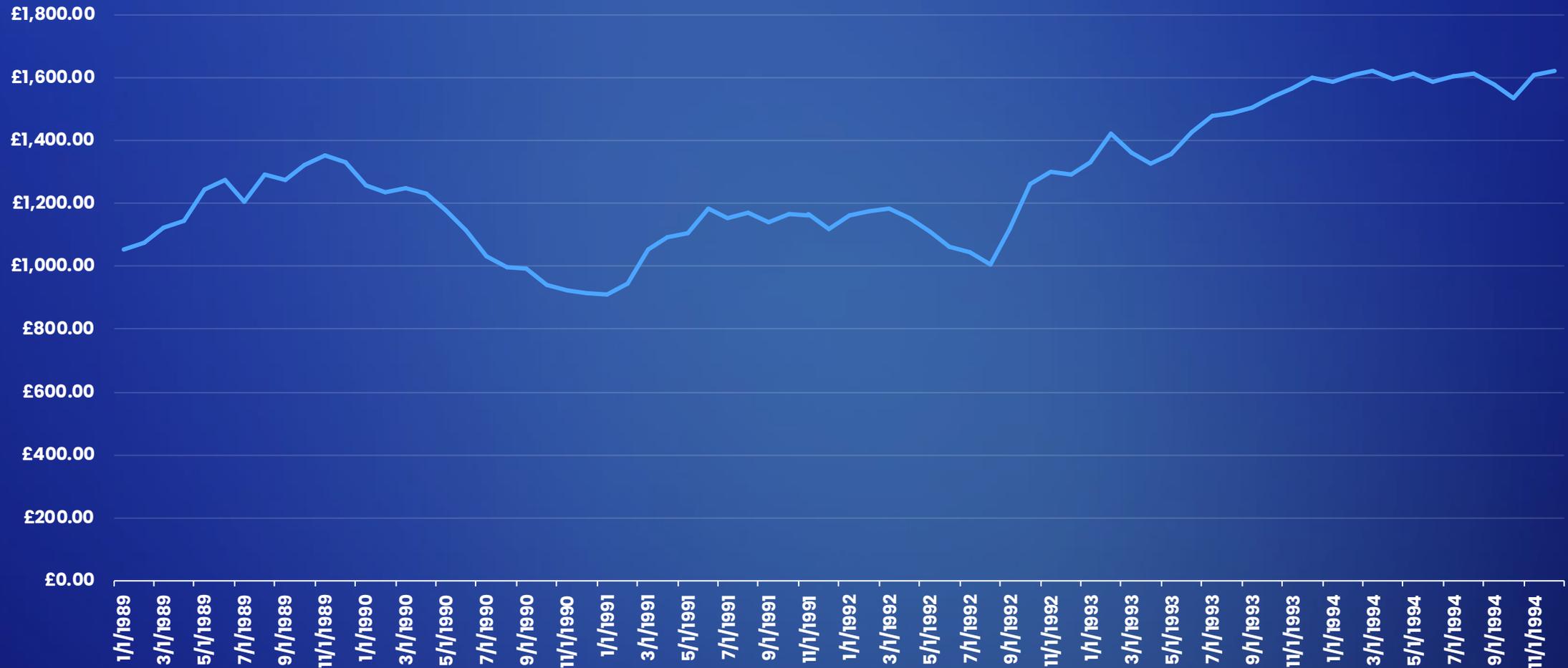
# Global Markets in Japanese Market Crash

Global Reorder – What Japanese Market Crash?



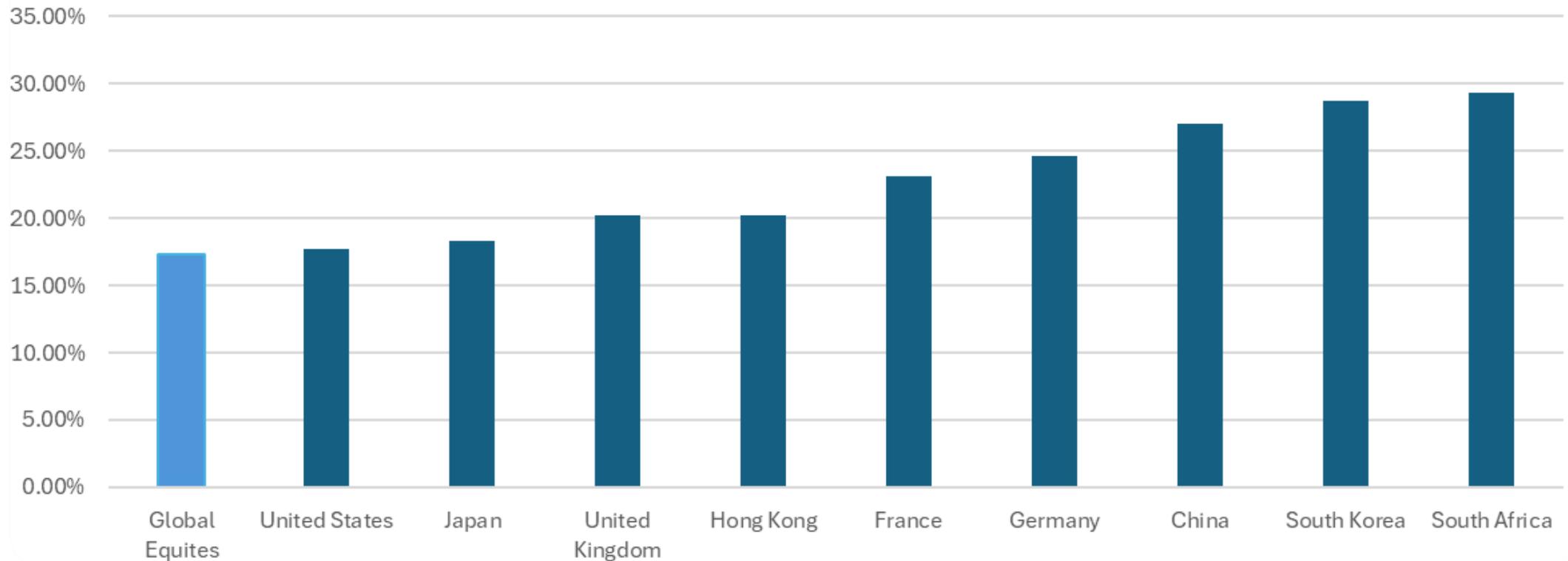
# Global Markets in Japanese Market Crash

In the Eye of the Storm



# Not only Efficient, but Beneficial

## Equity Market Volatility



Source: FE Analytics, 2024. Volatility measured as cumulative volatility. Date: June 2000 - March 2024. Funds use as proxies for index data: Global Market measured by iShares MSCI World UCITS ETF, United States measured by Legal & General US Index Fund, Japan measured by BlackRock iShares MSCI Japan ETF NAV TR in US, United Kingdom measured by iShares UK Equity Index (UK) D Acc in US, France measured by iShares MSCI France ETF TR in US, Germany measured by iShares MSCI Germany ETF TR in US, Hong Kong measured by iShares MSCI Hong Kong ETF TR in US, South Africa measured by iShares MSCI South Africa ETF TR in US, China measured by BlackRock iShares China Large-Cap ETF NAV TR in US, South Korea measured by iShares MSCI South Korea ETF TR in US.

# A FOCUS ON MARKET CONCENTRATION

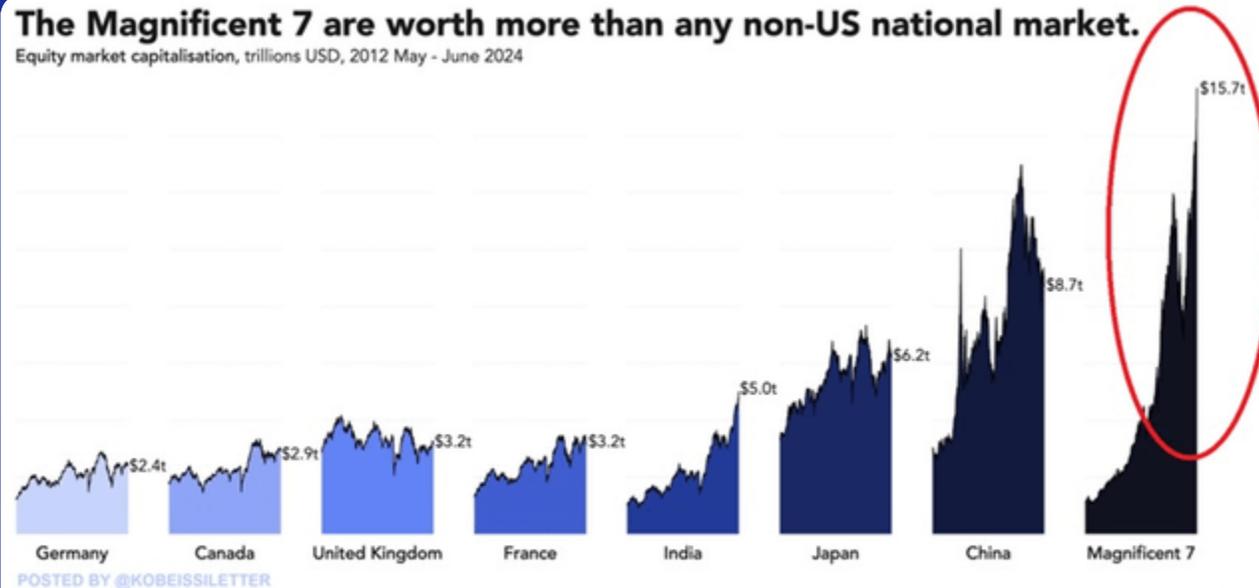
Should we be concerned?



# The Magnificent 7 – Threat or Opportunity?

## The Magnificent 7 are worth more than any non-US national market.

Equity market capitalisation, trillions USD, 2012 May - June 2024

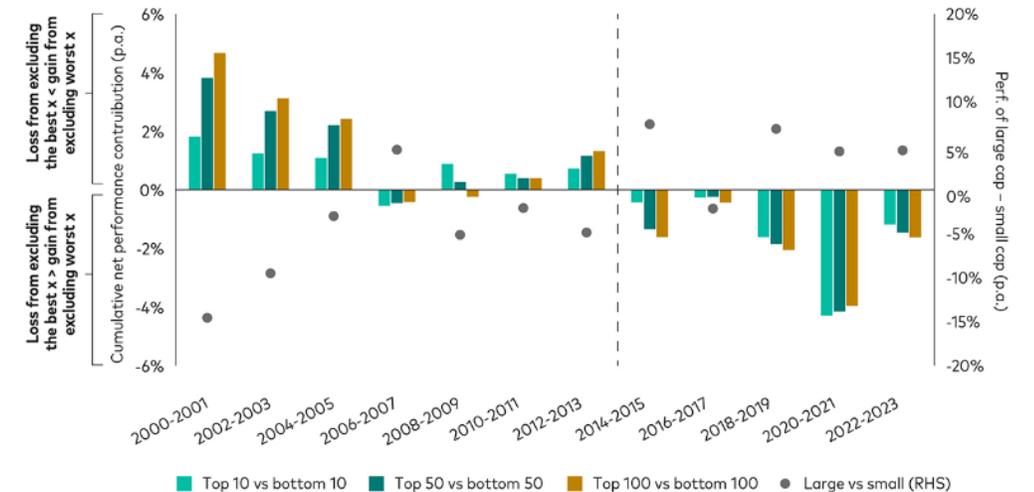


POSTED BY @KOBESSILETTER

Sources: Bloomberg  
Chart: Karl Schamotta, Corpay Currency Research

Corpay<sup>^</sup>

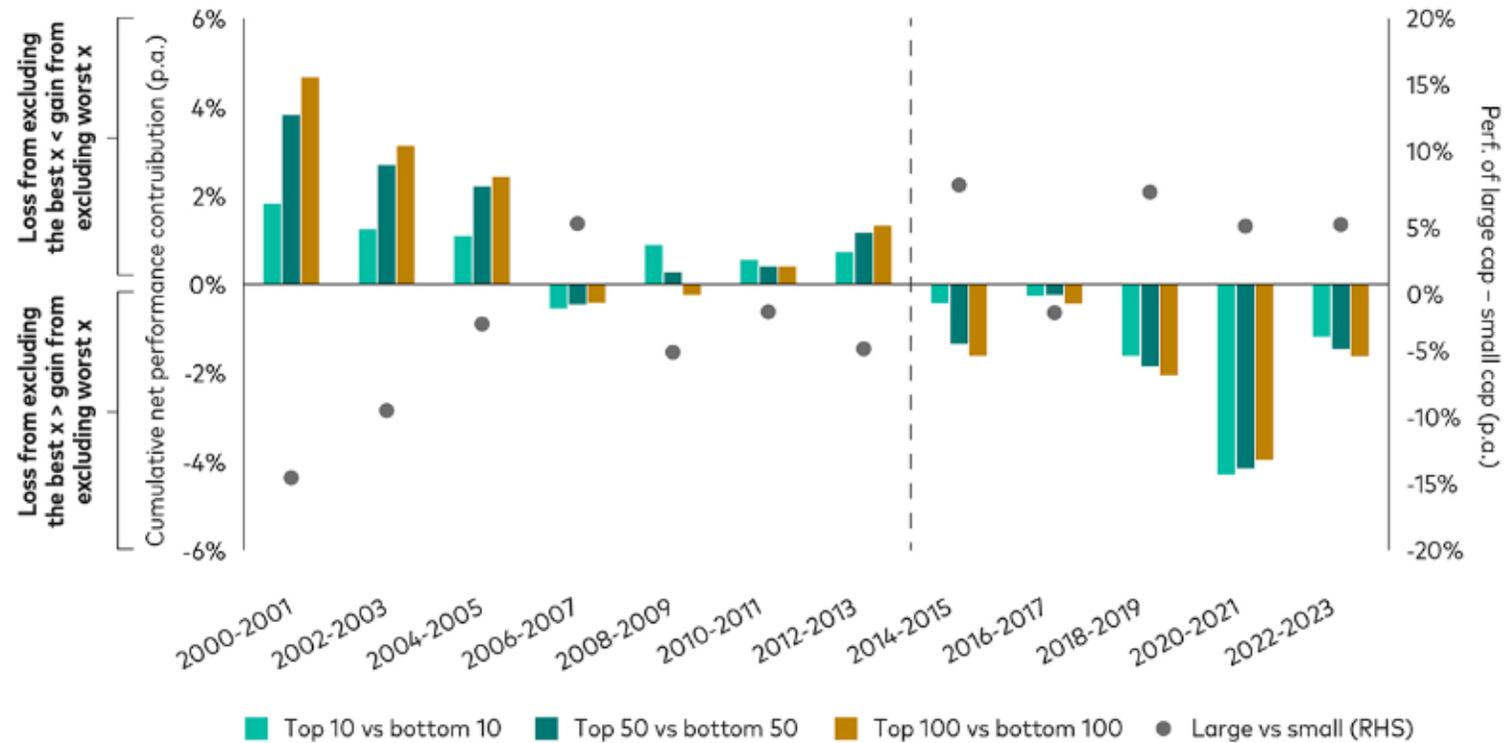
## Not holding the best versus not holding the worst contributing stocks



Source: Vanguard, FactSet, for the period 31 December 1999 to 31 December 2023. Performance is total return in US dollars.

# The Magnificent 7 – Threat or Opportunity?

Not holding the best versus not holding the worst contributing stocks



Source: Vanguard, FactSet, for the period 31 December 1999 to 31 December 2023. Performance is total return in US dollars.

Concentrated but  
not a repeat of  
history... yet

# Mag 7 vs 2000s Tech Bubble

Magnificent 7	% OF U.S. MARKET CAP	CASH AS % OF MARKET CAP	24-MONTH FWD P/E	NET PROFIT MARGIN
 Microsoft	6.6%	3.0%	25.7	35%
 Apple	7.3%	1.8%	26.5	27%
 NVIDIA	5.7%	3.7%	24.1	53%
 Amazon	4.0%	8.6%	25.4	9%
 Alphabet	3.9%	4.0%	16.6	28%
 Meta	2.4%	4.2%	19.2	34%
 TESLA	1.4%	4.3%	55.4	9%
<i>Aggregate</i>	<b>31.3%</b>	<b>4.2%</b>	<b>23.9</b>	<b>28%</b>

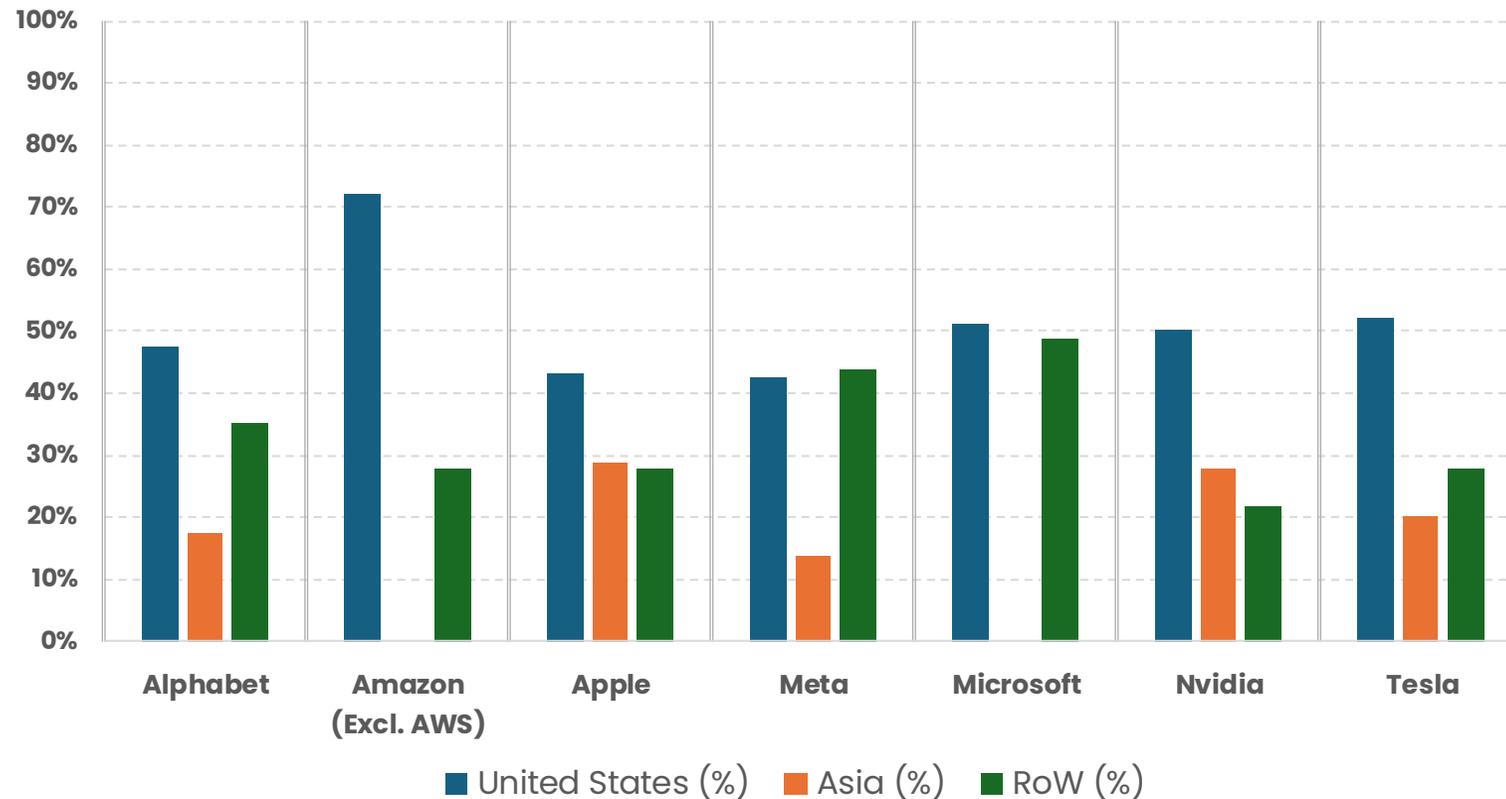
## 2000 Tech Bubble Leaders

 Microsoft	4.5%	3.0%	53.2	39%
 CISCO	4.2%	0.4%	101.7	17%
 intel	3.6%	2.5%	42.1	25%
 ORACLE	1.9%	1.0%	84.6	15%
 IBM	1.7%	2.7%	23.5	9%
 Lucent Technologies Bell Labs Innovations	1.6%	0.9%	37.9	9%
 NORTEL	1.5%	1.1%	86.4	-1%
<i>Aggregate</i>	<b>19.0%</b>	<b>1.7%</b>	<b>52.0</b>	<b>16%</b>



# Country of listing is not country of exposure

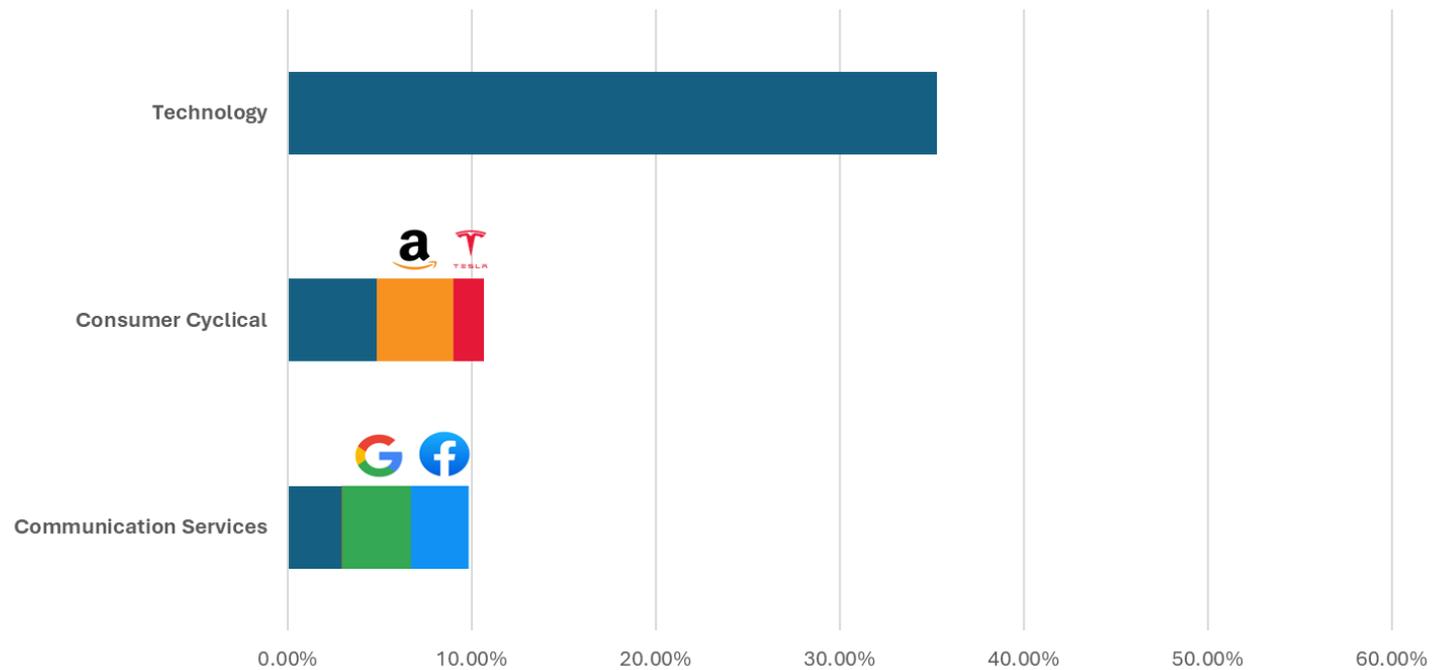
## Magnificent 7 Revenue Split by Region



All revenue data reflects Q3 2025 results as disclosed in each company's most recent quarterly financial statements and investor reports. Where regional segmentation was explicitly published by the company, figures have been taken directly from those reports. For companies that do not disclose detailed regional splits in their filings, publicly available secondary data sources that compile and reconcile reported figures (such as StockAnalysis.com and Bullfincher.io) were used.

# Is Big Tech TOO BIG?

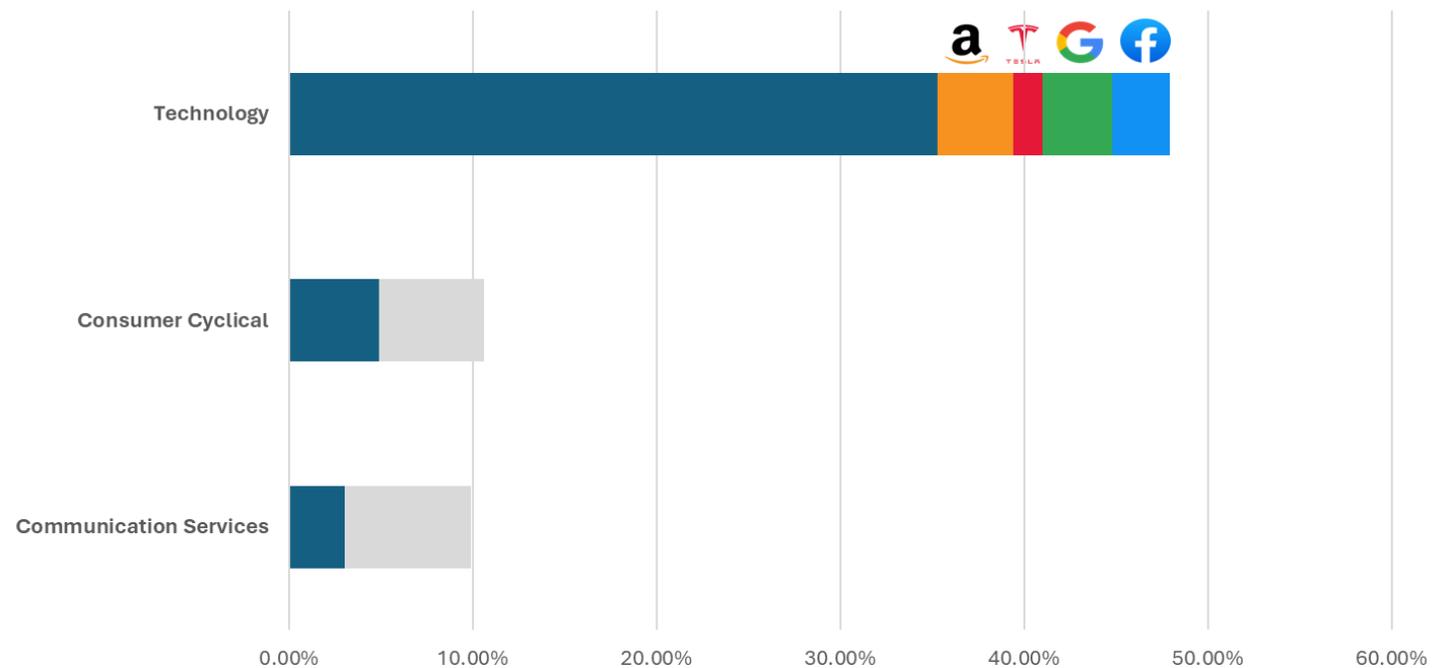
S&P 500 Sector Exposure if Amazon, Tesla, Alphabet and Meta Were Classified As Tech Stocks?



Source: Timeline Portfolios, data via Morningstar API. Vanguard S&P 500 ETF used as proxy for S&P 500 index. Data as of 12 September 2025.

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S&P 500 Sector Exposure if Amazon, Tesla, Alphabet and Meta Were Classified As Tech Stocks?



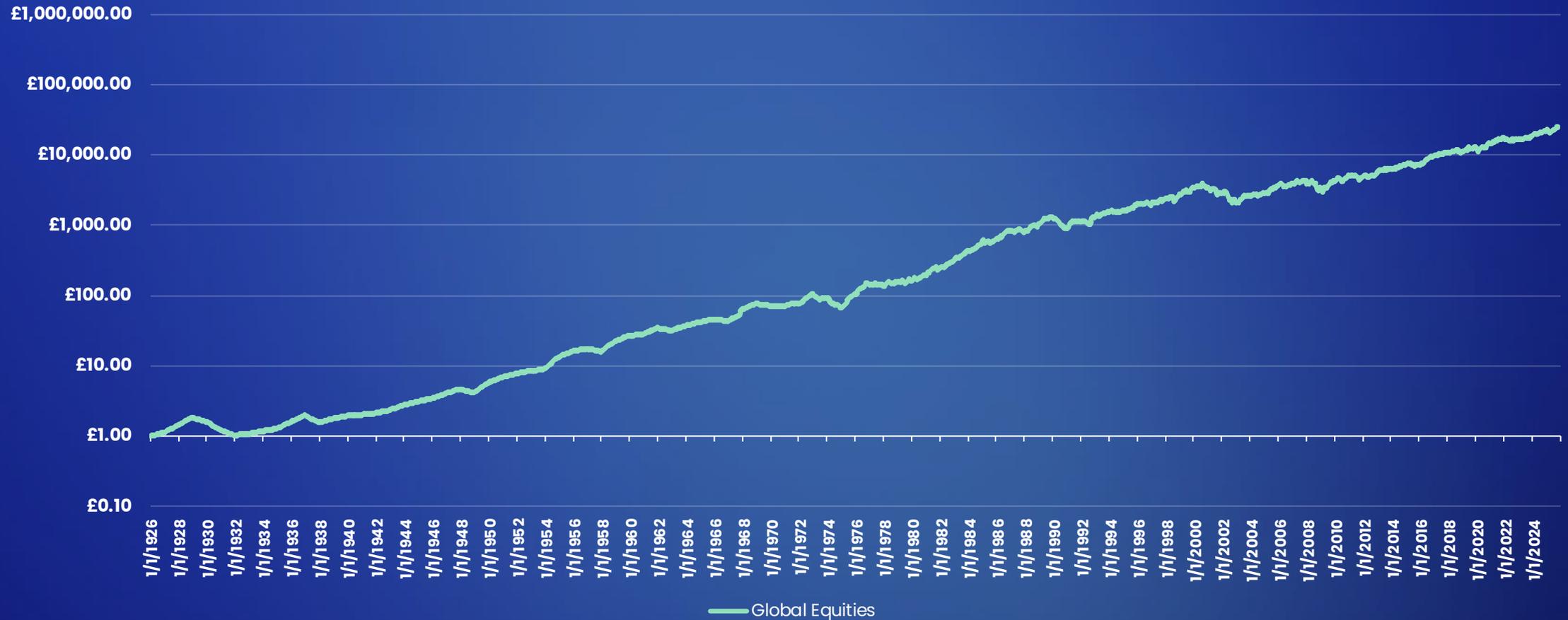
Source: Timeline Portfolios, data via Morningstar API. Vanguard S&P 500 ETF used as proxy for S&P 500 index. Data as of 12 September 2025.

The case for  
**ENHANCED INDEXING**



# Historical Factor Returns

## Growth of Wealth



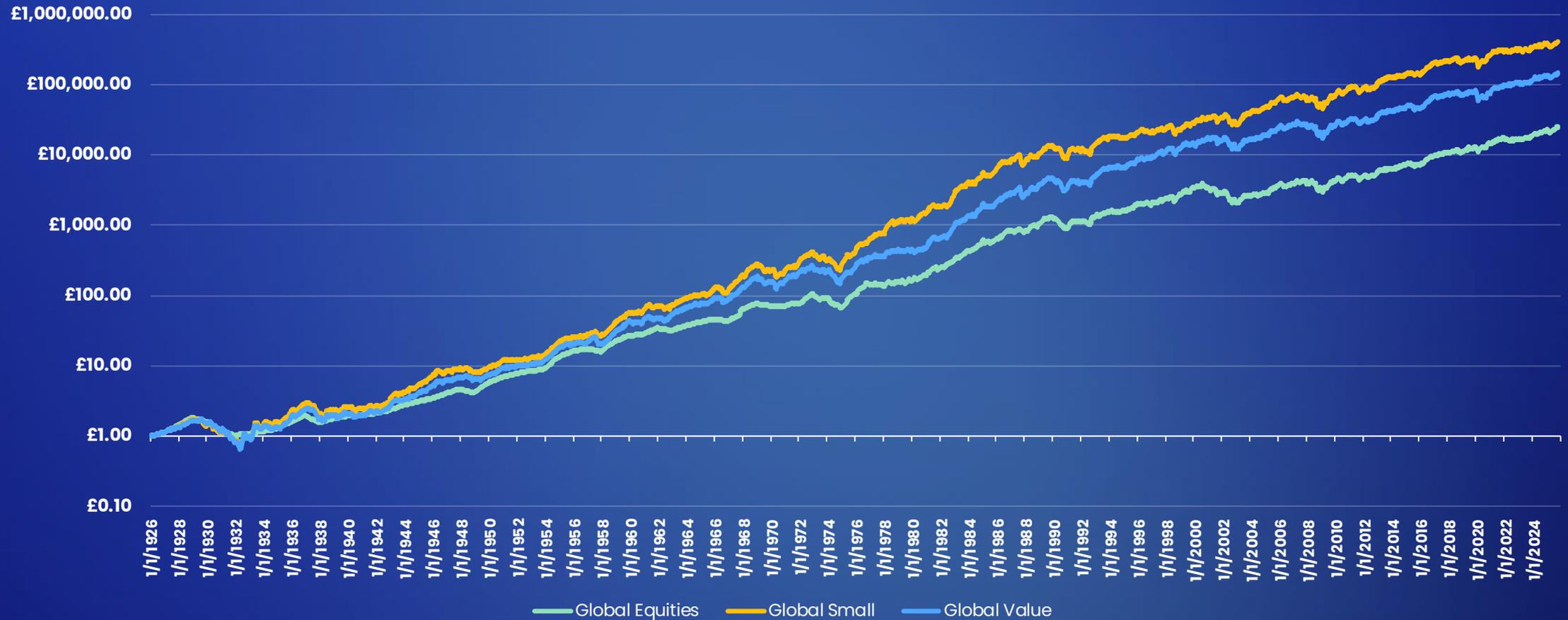
# Historical Factor Returns

## Growth of Wealth



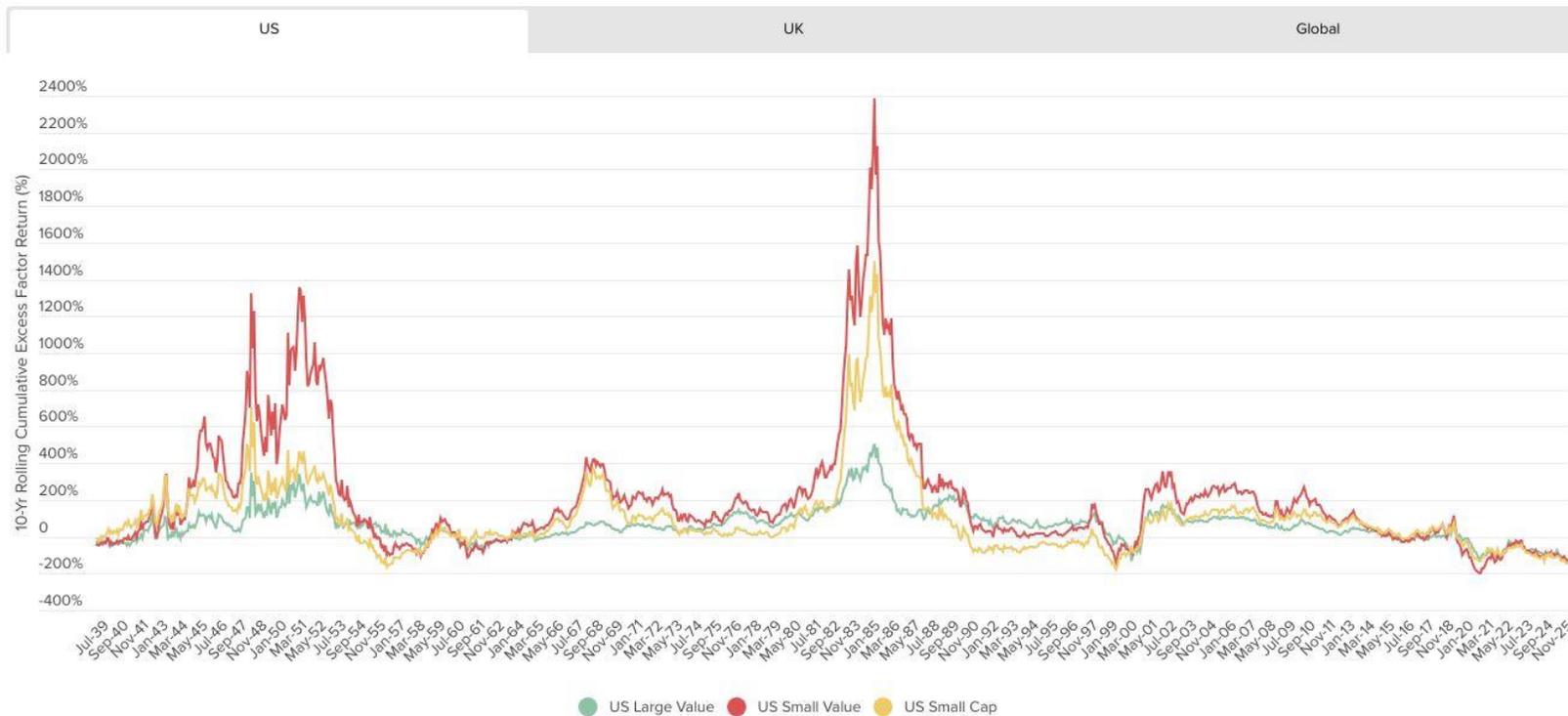
# Historical Factor Returns

## Growth of Wealth



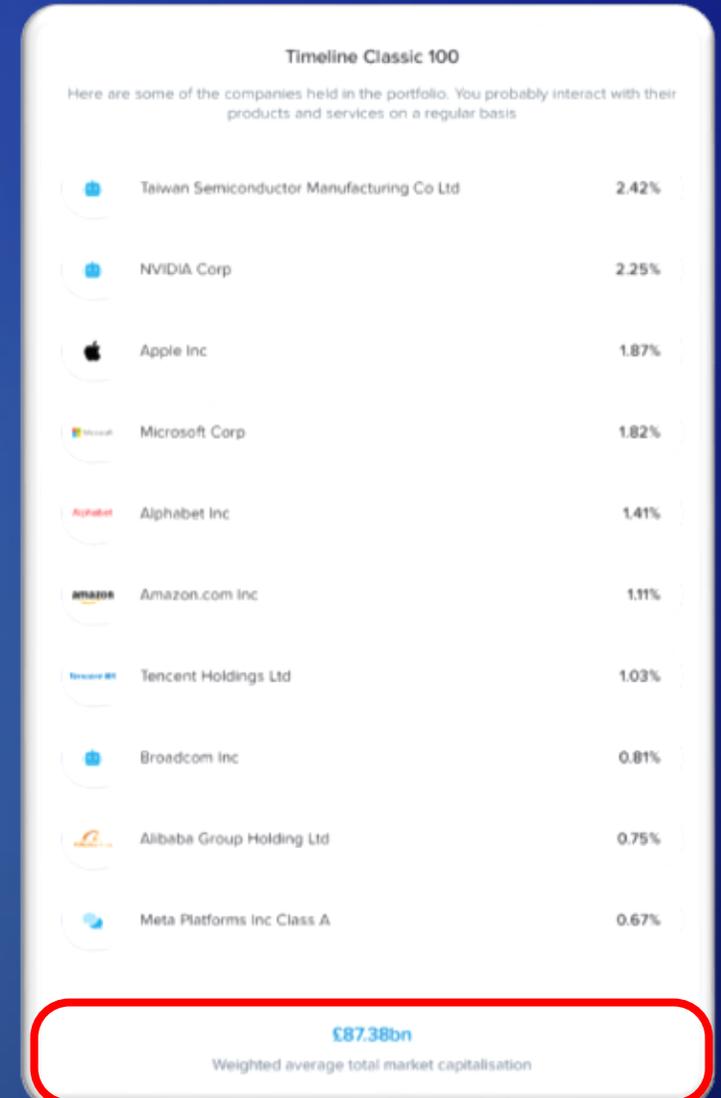
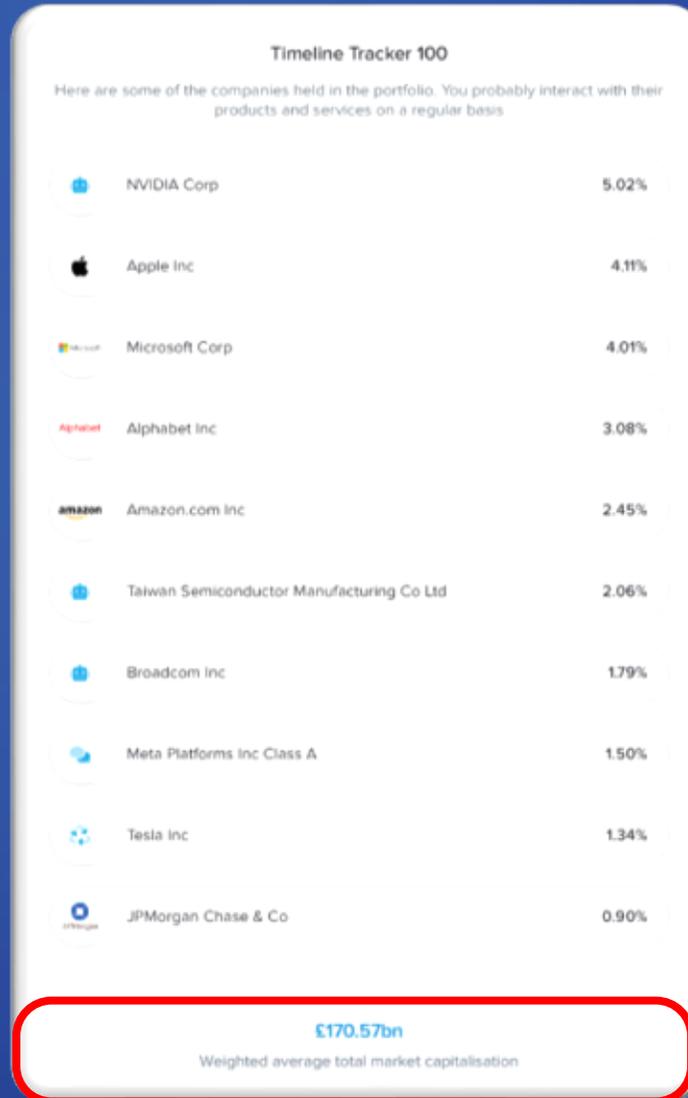
# Excess Factor Returns

## Excess Factor Return

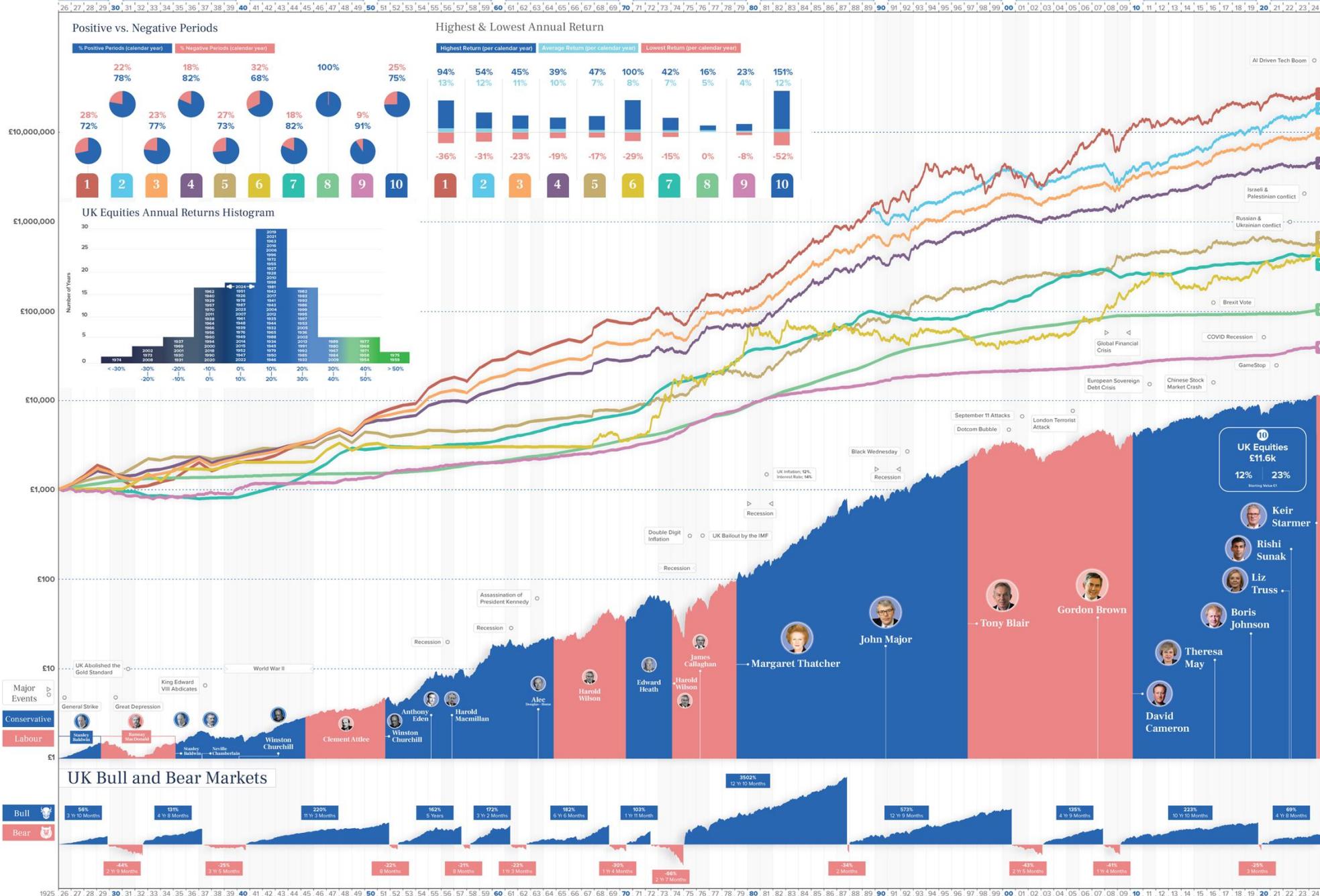


10-Yr Rolling cumulative excess factor return over and above the main market indices over same period, in £. Each date represents the end point of a 10 year period.  
 (c) 2025. Timeline Limited. Data from Dimensional Ltd. Past performance is no guarantee of future return. The value of investments and the income from them can go down as well as up. You may get back less than you invest. Transaction costs, taxes and inflation reduce investment returns.

# The Magnificent 7: Too much of a concentration risk?

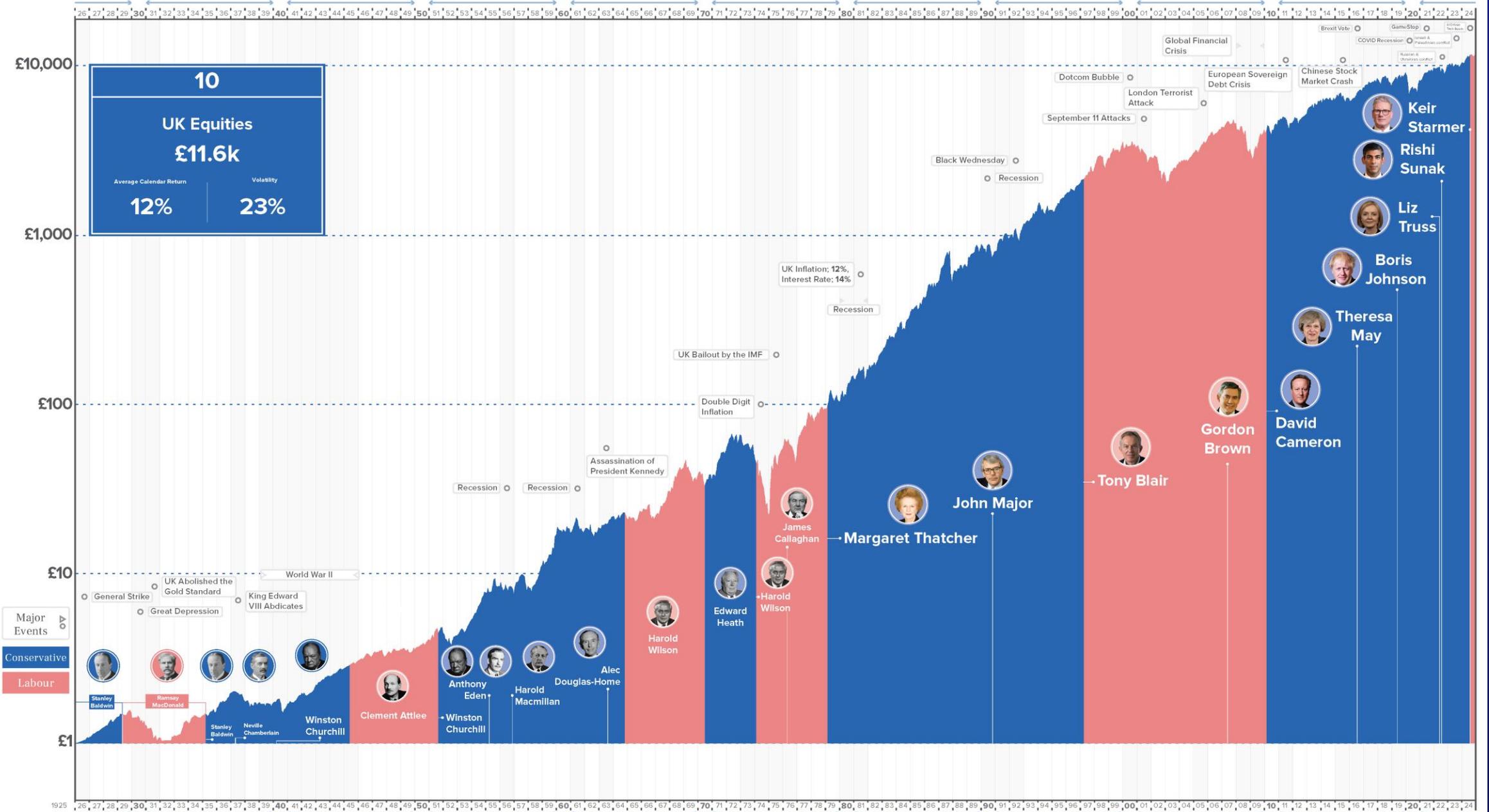


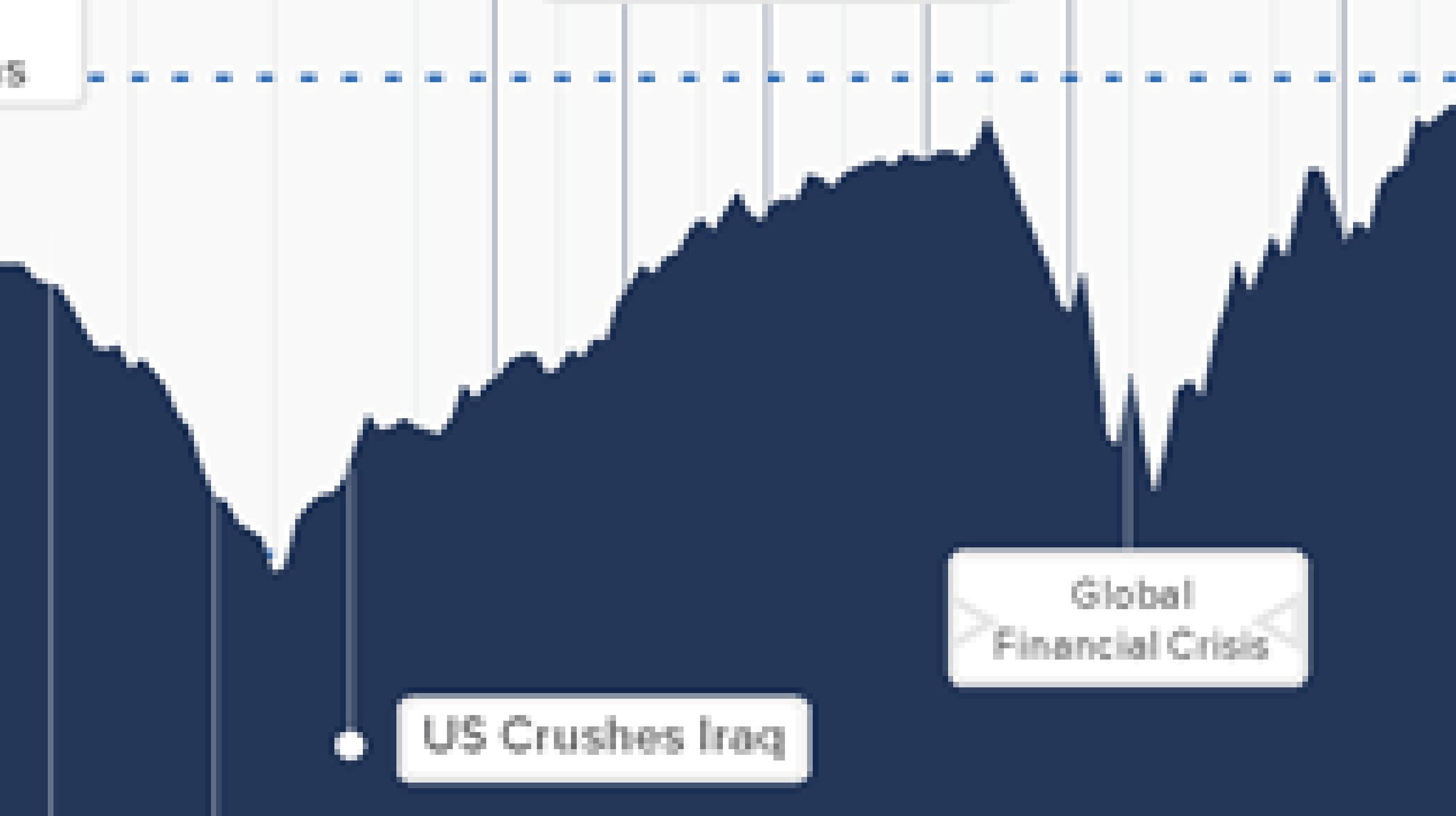
# How to utilise graphics to better **SUPPORT** your client conversations



- 1 Emerging Markets £26.9m  
13% | 23%
- 2 Global Equities £19.1m  
12% | 17%
- 3 Growth Portfolio £9.9m  
11% | 14%
- 4 Balanced Portfolio £4.7m  
10% | 12%
- 5 Global Aggregate Bonds £555k  
7% | 11%
- 6 Gold £499k  
8% | 19%
- 7 UK Property £419k  
7% | 9%
- 8 Cash £102k  
5% | 4%
- 9 Inflation £39k  
4% | 4%

# Investing & Politics

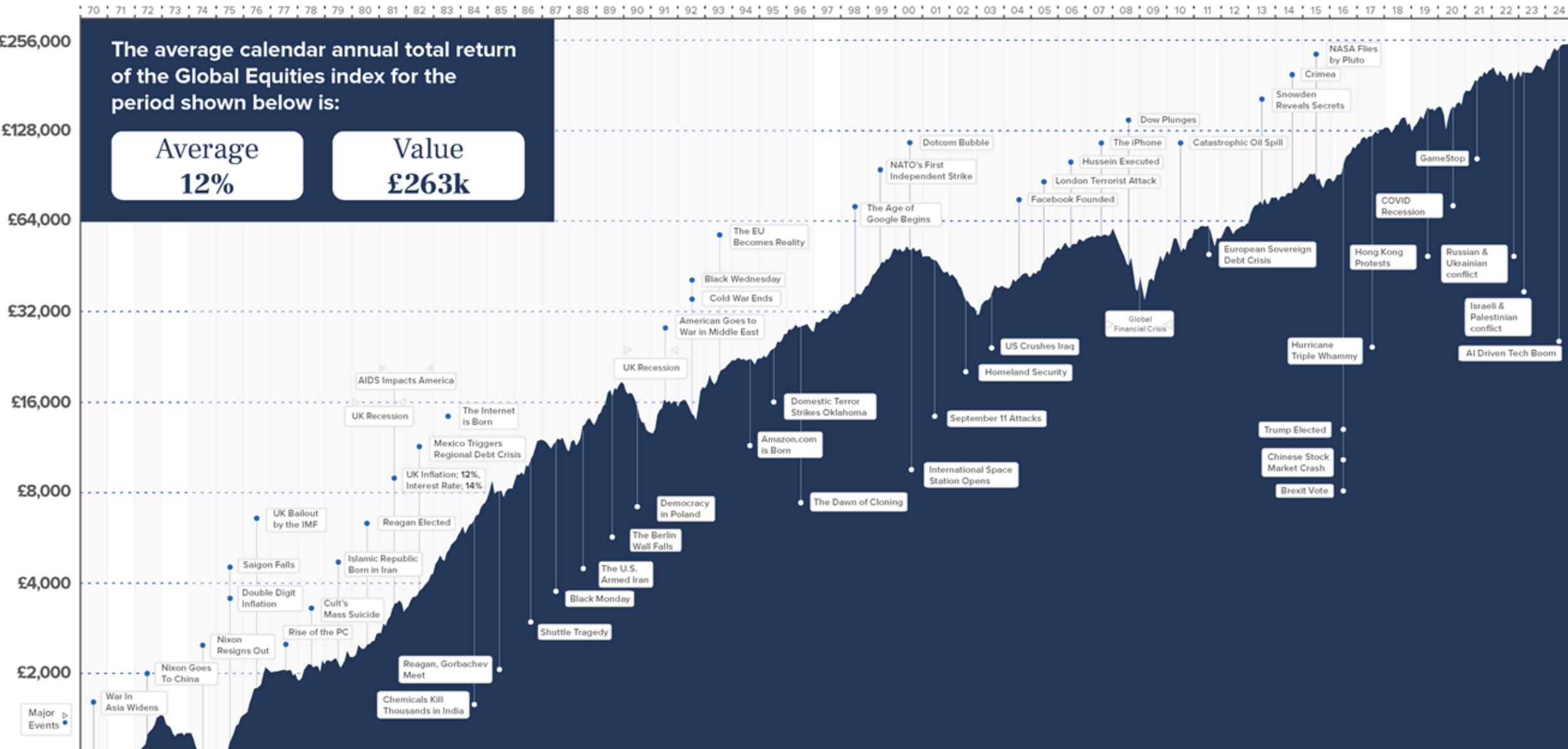




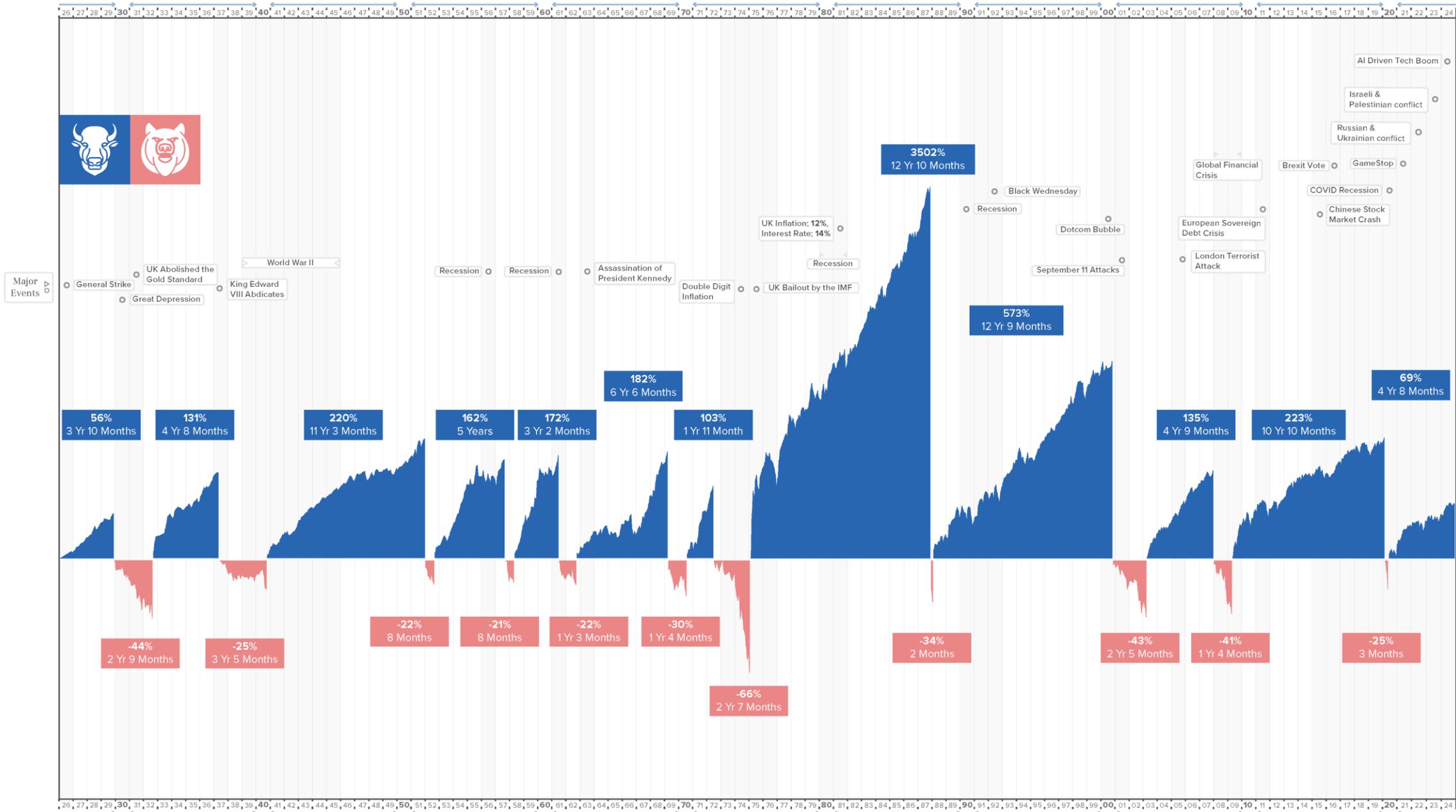
US Crushes Iraq

Global  
Financial Crisis

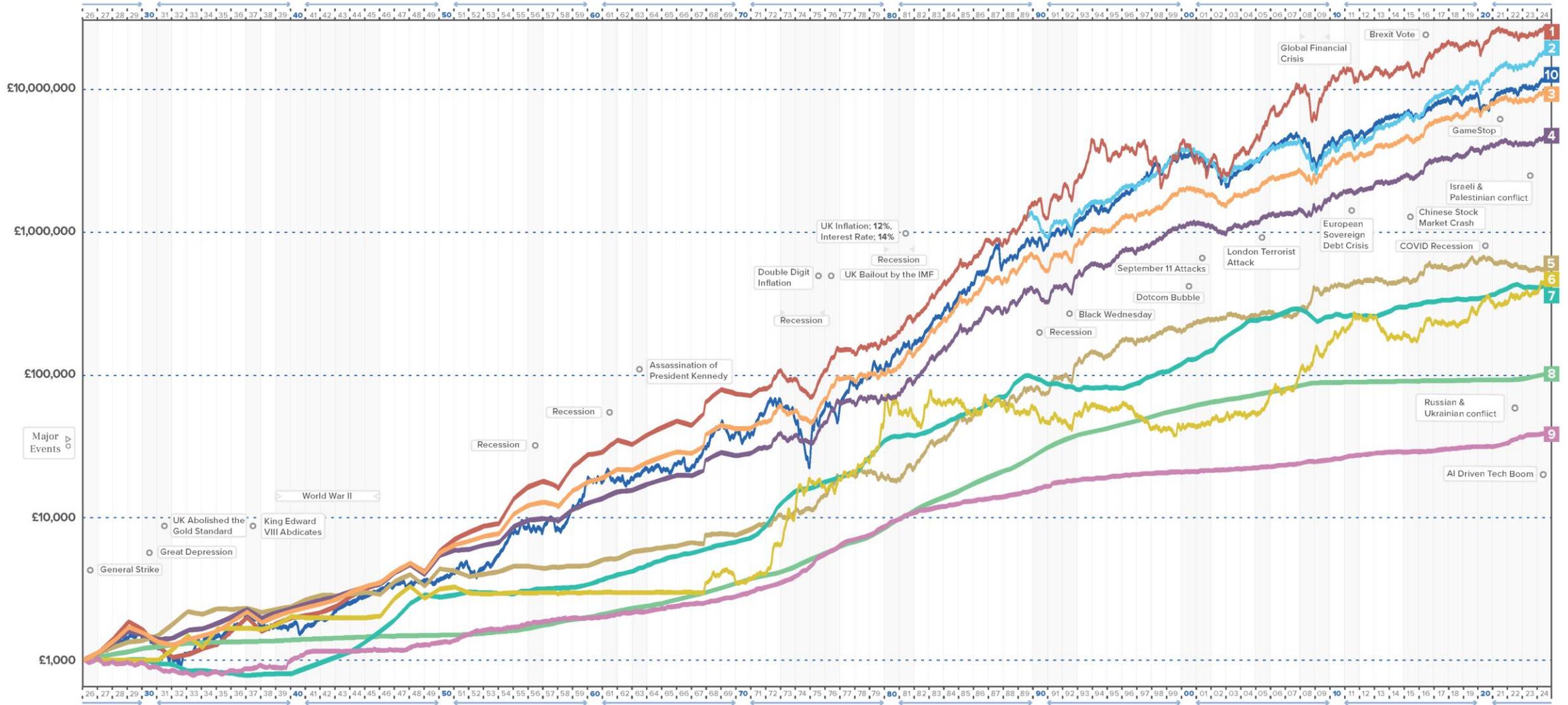
# Crisis & Events – Global Equities Index: 1970 – 2024



# UK Bull & Bear Markets



# Growth of Wealth



<b>1</b> Emerging Markets <b>£26.9m</b> Return: 13%   Volatility: 23%	<b>2</b> Global Equities <b>£19.1m</b> Return: 12%   Volatility: 17%	<b>3</b> Growth Portfolio <b>£9.9m</b> Return: 11%   Volatility: 14%	<b>4</b> Balanced Portfolio <b>£4.7m</b> Return: 10%   Volatility: 12%	<b>5</b> Global Aggregate Bonds <b>£555k</b> Return: 7%   Volatility: 11%	<b>6</b> Gold <b>£499k</b> Return: 8%   Volatility: 19%	<b>7</b> UK Property <b>£419k</b> Return: 7%   Volatility: 9%	<b>8</b> Cash <b>£102k</b> Return: 5%   Volatility: 4%	<b>9</b> Inflation <b>£39k</b> Return: 4%   Volatility: 4%	<b>10</b> UK Equities <b>£11.6m</b> Return: 12%   Volatility: 23%
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**Any Questions?**

**LAURENTIUS VAN DEN WORM**

Head of Investment Strategy

*Thank You!*



# TIMELINE

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