e Ceiling

nd is now a concentrated bet on

PORTFOLIO CONSTRUCTION

The Passive Ceiling

A \"diversified\" S&P 500 index fund is now a concentrated bet on ten balance sheets

By Diego Molina · Mediavertical

The top 10 companies in the S&P 500 now account for roughly 40% of the index's total value · essentially double their 2015 weight · and in the index's sharpest recent rally, just ten stocks drove 69% of the gain. A passive S&P 500 allocation, built on a diversification assumption from a very different market, is increasingly a concentrated wager on the same handful of AI-infrastructure balance sheets.

Concentration has roughly doubled in a decade

The top 10 S&P 500 holdings reached a record 40.7% of index weight in 2025, and have held above 37% through mid-2026 · roughly double the 19·20% weight they carried in 2015·2016. That prior period is a useful baseline precisely because it wasn't concentrated by accident: by the end of 2015, the top 10 stocks' index weight (about 19%) roughly matched their share of total index earnings, meaning market value and underlying fundamentals were broadly aligned. Today's weight has pulled well ahead of that kind of earnings-matched baseline.

The recent rally shows what that concentration does mechanically

Concentration isn't just a static weighting fact · it shows up directly in how the index moves. In the 28-session rally between late March and early May 2026, Nomura found that just ten stocks accounted for 69% of the S&P 500's total gain. An index nominally spread across 500 companies is, in practice, being priced almost entirely by the fortunes of a handful of names.

Passive vehicles inherited a diversification assumption that no longer holds

The earnings driving today's top-10 weight are increasingly the same AI-infrastructure buildout discussed elsewhere in this series · the capex cycle now credited with close to half of S&P 500 earnings growth is concentrated in largely the same companies sitting at the top of the index. An investor buying "the market" through a passive S&P 500 fund is, whether they intend to or not, underwriting that specific capital-spending cycle at a weight their fund manager didn't choose for them individually.

What this means for allocators

The diligence question has shifted. It is no longer "am I diversified across 500 companies"

· it is "how correlated are my top 10 holdings' fortunes to one capital-spending cycle." Equal-weight or ex-mega-cap sleeves, once a niche tilt, are a legitimate structural hedge against single-theme concentration risk rather than a contrarian bet against the market.

If a passive S&P 500 allocation is now a concentrated bet on roughly ten AI-infrastructure balance sheets, at what concentration level should "index investing" stop being treated as the default diversified core of a portfolio?