



Why Diversification Matters

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After three consecutive calendar years of solid performance for equities, and the remarkable growth fueled by the investment in AI, it can be tempting to let one or two standout stocks grow into oversized portions of your portfolio. Strong performance, familiar brand names, or long term loyalty to certain companies can make concentrated positions feel comfortable. But even great companies can experience periods of volatility—and relying too heavily on a small handful of stocks can introduce more risk than many investors realize. We see evidence of this within the S&P 500, as almost everyone has heard of the Magnificent 7. The graph below illustrates how these 7 companies make up over 30% performance of the S&P 500 index.

Top 10 companies by decade

GTM U.S. 10

Top 10 S&P 500 companies by market capitalization

Percent of S&P 500 market capitalization as of the first day of the indicated year



Source: Bloomberg, Standard & Poor's, J.P. Morgan Asset Management
Companies are organized from highest weight at the bottom to lowest weight at the top. Past performance is no guarantee of future results.
Guide to the Markets - U.S. Data as of February 27, 2025.

J.P.Morgan
ASSET MANAGEMENT

When a single stock—or a small group of them—makes up a large percentage of your investments, your financial outcomes become tied to the fate of those few companies.



If they continue to perform well, the rewards can be meaningful. But if one stumbles due to market shifts, earnings surprises, regulatory changes, or company specific issues, the impact on your overall portfolio can be significant. Even industry leaders are not immune to sharp declines, and markets don't always give warning before conditions change.

Diversification helps reduce this risk by spreading your investment exposure across different companies, sectors, and asset classes. As we move through the first quarter of 2026 there is ample evidence that, now more than ever, diversification is critical for managing risk and enhancing the success of your financial plan.

For clients with long held or highly appreciated stock positions, reducing concentration doesn't have to mean taking on large tax burdens all at once. Strategies such as gradual selling, strategic rebalancing, charitable gifting, or using new cash flows to build other areas of the portfolio can help you diversify thoughtfully and tax efficiently.

Reviewing your level of concentration regularly is a smart step toward preserving your progress. If you'd like help evaluating whether your portfolio is appropriately balanced—or creating a plan to diversify over time—we are here to guide you. A well diversified portfolio is designed to provide greater stability, reduce surprises, and keep you on track toward your long term goals.

As always, we're here to support you. If you have questions or would like to talk through your situation, please reach out. Also, please keep us in mind if you have friends or family who may benefit from our services. We would love to get connected with them.

There is no guarantee that asset allocation or diversification will enhance overall returns, outperform a non-diversified portfolio, nor ensure a profit or protect against a loss. Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual. AM 2026-13089