



T. Bailey Weekly Update

12th October 2026

Record Highs, Narrow Foundations

In this week's Weekly Update, **T. Bailey Fund Manager, Elliot Farley** examines the growing concentration of returns within US equity markets.

While headline indices continue to reach record highs, much of their performance has been driven by a relatively small number of large, AI-linked companies. Elliot looks at the difference between market-capitalisation-weighted and equal-weighted returns, and explains how our thematic approach seeks opportunities beyond the most prominent names while managing overlapping exposures across the portfolio.

Record highs in US equity markets suggest a healthy backdrop for investors but beneath the surface the picture is less convincing. A relatively small group of large, AI-linked companies has been driving returns, while many other businesses have struggled to keep pace. This raises questions about the foundations of the ongoing rally and where to look for opportunities beyond it.

The contrast is apparent in the performance of the S&P 500 index and its equal-weighted counterpart. Both contain the same companies, but giving each company a similar weight has produced considerably lower returns in recent years.

Same companies, different weights

ETF proxies for the S&P 500 and its equal-weighted counterpart



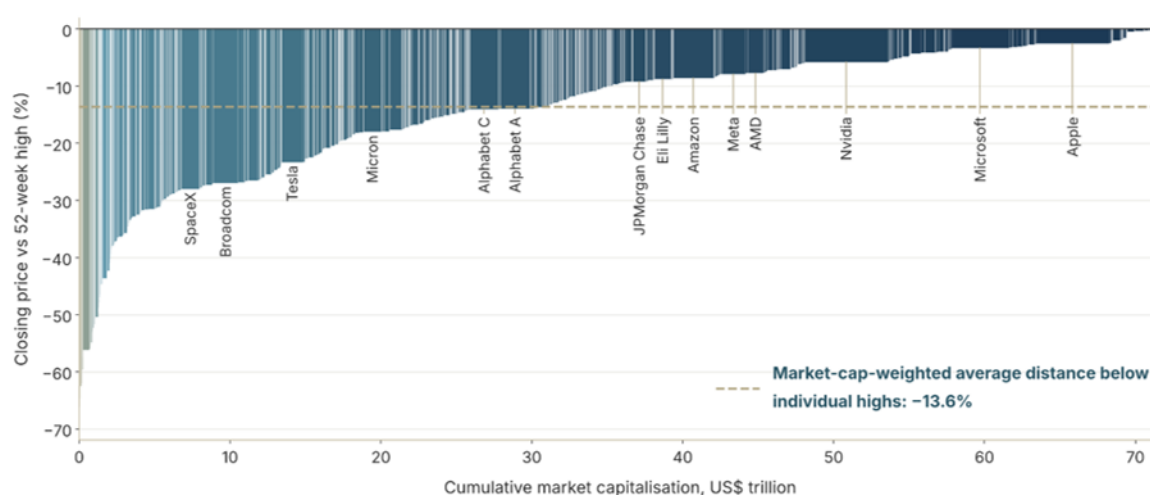
Source LSEG Workspace. Total return, USD terms. Rebased to 100 at 30 September 2023.

Considering individual shares provides another perspective. Among the roughly 500 largest US-listed shares, the typical share is about 15% below its own 52-week high, and a quarter are more than 26% below. Yet just over half of total market value sits within 10% of its high.

Nvidia, Apple and Microsoft together make up about a fifth of the total and are all within 6% of their highs. Even within technology, performance has been uneven, with some prominent businesses much closer to their peaks than others. Strength in the headline index does not necessarily mean strength across the wider market.

Distance from 52-week high

Largest US-listed shares by market capitalisation, ranked by distance below their 52-week high. Bar width reflects market capitalisation.



Source: T. Bailey, LSEG Workspace.

Narrow leadership is not, in itself, a reason to expect markets to fall. It does, however, make them more dependent on the companies leading the advance. Questions about AI revenues and the substantial financing needed to build the supporting infrastructure have significance beyond the technology sector. Investors across the wider market have an interest in whether that spending ultimately generates attractive returns.

For us, the response is not to dismiss AI or assume that companies left behind must necessarily catch up. Some businesses have strong reasons for attracting investors' capital. Others face challenges that a lower share price will do little to resolve.

Considering investment themes provides a starting point for us to address this. They help us identify areas where structural changes could support demand and improve a company's long-term prospects. But a favourable backdrop does not make every business exposed to it an attractive investment. Competitive advantages, financial strength and the price paid still matter.

As a thematic fund of funds investor, we draw on carefully selected active managers to do that detailed work. Their specialist research, sector knowledge and access to companies provide the resources to investigate opportunities beyond the most prominent names. Our role is to assess those managers and how their funds fit together, looking through the holdings to understand where exposures overlap.

Owning several funds does not necessarily provide several different sources of growth. If their holdings depend on the same customers, spending plans or market expectations, portfolios containing them may be less diversified than appears. We want themes to broaden our search for opportunities, not simply give us different ways of owning the companies already driving the index.

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