

# The rise of the Magnificent 7: Concentration risk versus earnings power

September 9, 2025 | Tiffany Wade, Senior Portfolio Manager;  
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Are Magnificent 7 stocks in bubble territory?



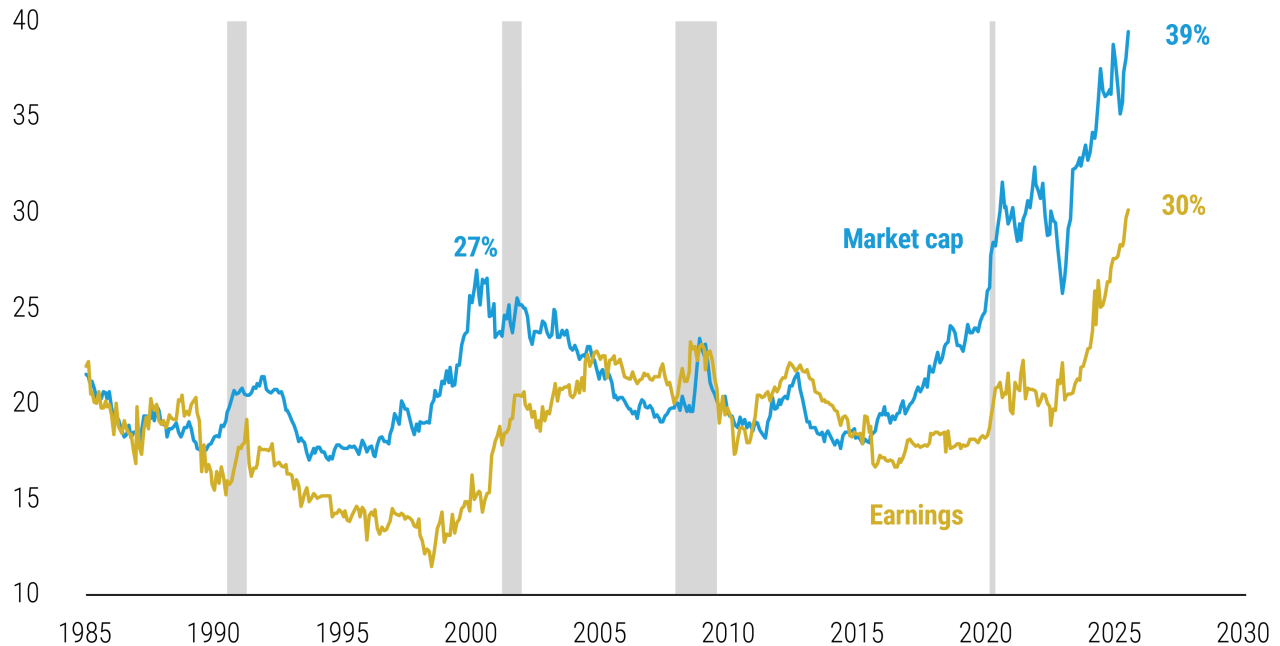
Concerns about market concentration and the performance of the Magnificent 7 (Mag 7) stocks — Apple, Microsoft, Google, Amazon, Nvidia, Meta and Tesla — have become increasingly common in investor conversations. Many are questioning whether the current environment resembles a market bubble. To address this, we'll take a closer look at the numbers and history to see how today's market stacks up.

## Historical perspective on market concentration

While we do not believe large-cap technology companies are in bubble territory, concerns about market concentration are not without merit. The current level of concentration is notably elevated relative to history. Today, the ten largest companies in the S&P 500 account for approximately 39% of the index's total market capitalization, which is well above the 27% peak reached during the technology bubble of 1999–2000.

# Equity market concentration remains at multi-decade highs

Ten largest companies as a share of S&P 500 total (%)

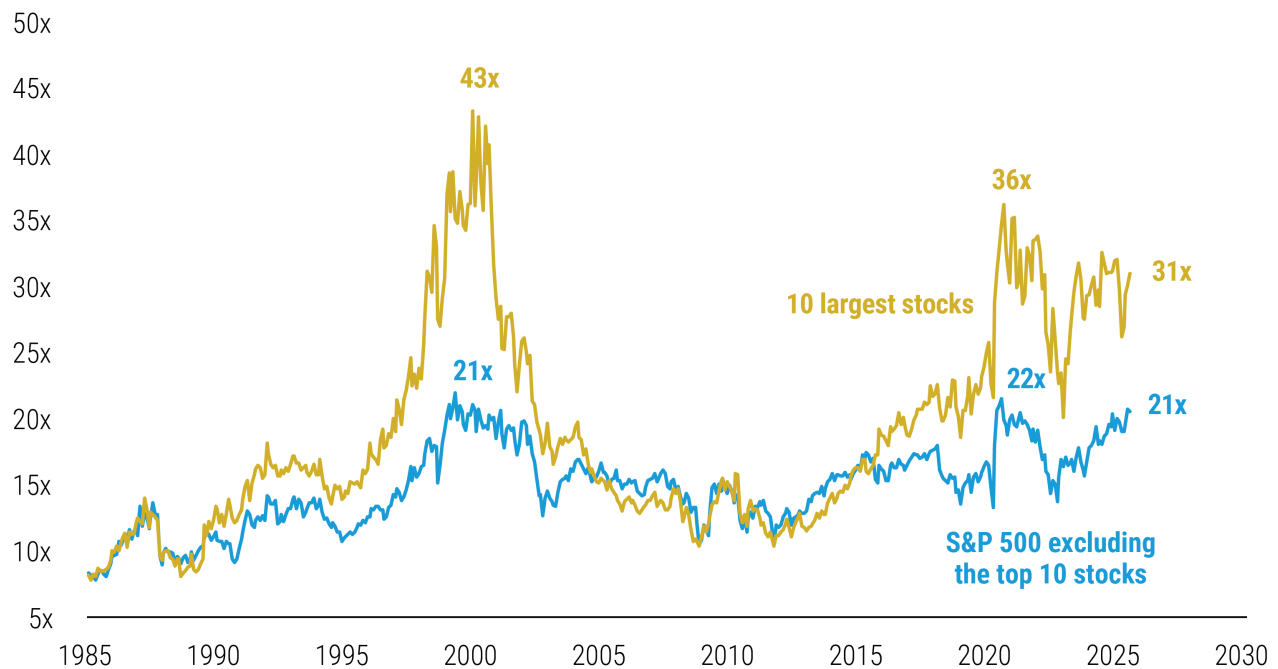


Source: Goldman Sachs. Data as of August 31, 2025. Past performance does not guarantee future results. It is not possible to invest directly in an index.

However, a key difference between then and now is the earnings power of today's mega-cap companies. In 2000, the largest ten stocks traded at a price-to-earnings (P/E) ratio of 43, while the remainder of the market traded at 21 — a premium of more than 100%. Currently, the top ten are trading at a P/E of 31, compared to 21 for the rest of the S&P 500. Earnings for the largest 10 companies were below 20% of the market at the peak of the tech-bubble concentration. Today that number is 30%. The higher market capitalization reflects greater earnings power.

# Elevated valuations remain below tech bubble highs

S&P 500 P/E multiple



Source: Goldman Sachs. Data as of August 31, 2025. Past performance does not guarantee future results. It is not possible to invest directly in an index.

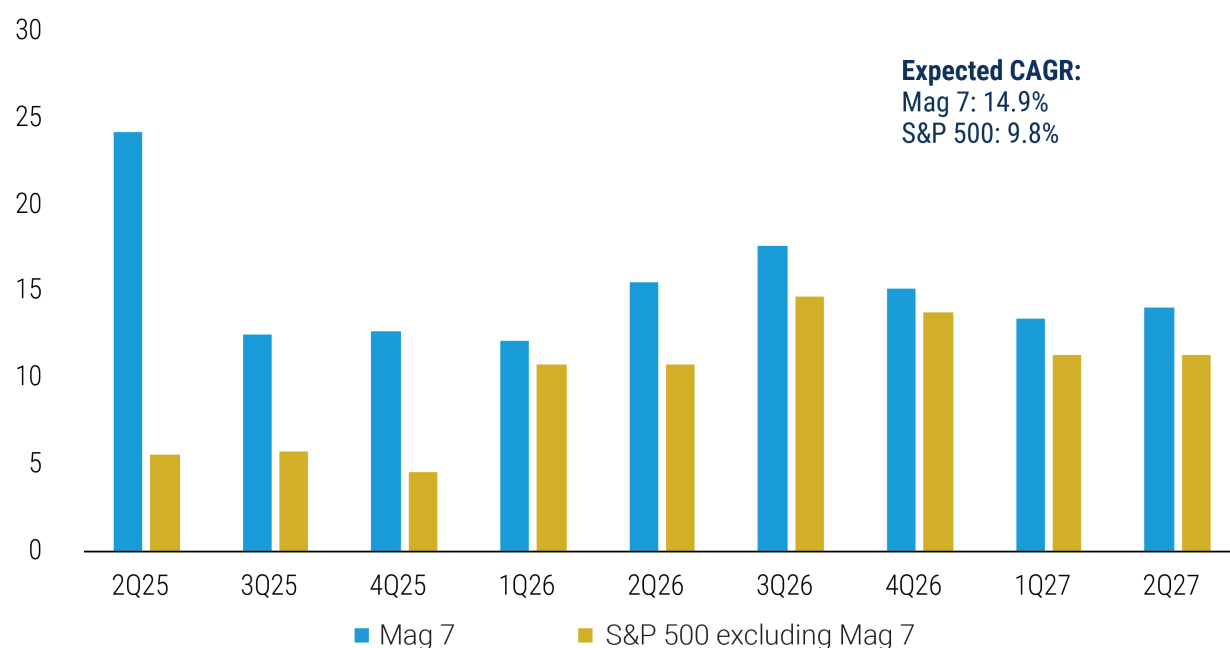
## Prices are supported by strong fundamentals

The strong price appreciation of the Mag 7, and tech more broadly, reflects improving earnings expectations. That's why the Mag 7, excluding Tesla, has seen a modest 2% compression in valuation multiples this year, while the overall market's multiple increased by over 3%.

Since last summer, full-year 2025 earnings expectations for the technology sector, including the Mag 7, have risen by 12%. In contrast, expectations for the rest of the market have declined by 6%. Looking ahead, consensus suggests annual earnings growth of approximately 15% for Mag 7 companies over the next two years, compared to 10% for the remainder of the market. This expectation underscores the market's tendency to reward companies that consistently deliver compelling earnings growth.

# Strong growth outlook for the Mag 7 relative to the broader market

Current and expected EPS growth (%)



Source: UBS. Data as of August 31, 2025. Past performance does not guarantee future results. It is not possible to invest directly in an index.

## The bottom line

While market concentration among the Mag 7 is elevated compared to history, today's valuations are supported by significantly stronger earnings power than during previous peaks. The largest companies now contribute a much greater share of total market earnings, and their expected growth rates outpace the broader market. Still, it's important to remember that not all Mag 7 companies are created equally. That's why, even in a rising market, it's important to distinguish companies that are likely to deliver sustained performance over the long term. Our investment approach, which is predicated on a rigorous, research-driven process, identifies opportunities where earnings growth is supported by strong fundamentals and forward-looking momentum. Ultimately, by focusing on quality and growth, investors can navigate periods of market concentration with greater confidence.

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