

What Structural Concentration Means for Your Clients

The problem your clients don't see coming

Most clients believe their portfolio is diversified. They own “the market” through a passive fund or a large-cap core strategy. What they actually own is an outsized position in a narrow group of artificial-intelligence-linked mega-cap companies.

Passive exposure—long treated as a neutral default—has begun to behave more like an active bet on market leadership. The portfolio your clients think they own and the one they actually do may not be the same thing.

Concentration: Structural, not cyclical

In past cycles, concentration unwound when macro shocks, policy shifts, or sector rotations forced leadership to change. Today's market has behaved differently.

The reason: A self-reinforcing feedback loop. Passive flows direct capital toward whatever is already largest. Benchmark-aware active managers, constrained by tracking error, follow the same path. Thematic ETFs pile more into familiar names. Retail traders amplify short-term moves through options and leveraged products.

Price appreciation increases index weight. Index weight attracts more flows. The system sustains concentration without requiring the fundamentals to justify it.

What changes for portfolio construction

When a small set of stocks drives most benchmark risk, two things happen. First, passive stops being neutral. Second, active managers who don't address concentration deliberately end up with outcomes shaped by benchmark mechanics, not conviction.

The practical question isn't when concentration will unwind. It's whether your clients' portfolios are positioned intentionally—or if they've inherited a concentrated bet they didn't make.

Voya's Equity Team built an analytics layer specifically for this environment. It identifies Very Important Benchmark Stocks (VIBS); monitors factor drift across beta, momentum, and volatility; and replicates factor profiles when underweighting dominant names.

The goal: **To make risk explicit before it becomes a client conversation you weren't expecting**

Read our full whitepaper **Too Big to Ignore: Index Concentration and the New Shape of Equity Risk** that covers the structural case, historical data, and how Voya's approach applies across large cap growth, mid cap growth, large cap value, and small cap growth.

A note about risk

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield. The principal risks are generally those attributable to stock investing. Holdings are subject to market, issuer, and other risks, and their values may fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. More particularly, growth-oriented stocks typically sell at higher valuations than other stocks. If a growth-oriented stock does not exhibit the level of growth expected, its price may drop sharply. Additionally, growth-oriented stocks have been more volatile than value-oriented stocks. Smaller companies may be more susceptible to price swings than larger companies, as they typically have fewer resources and more limited products, and many are dependent on a few key managers. Artificial intelligence (AI): AI—including natural language processing, machine learning and other forms of AI—may pose inherent risks, including but not limited to: issues with data privacy, intellectual property, consumer protection, and anti-discrimination laws; ethics and transparency concerns; information security issues; the potential for unfair bias and discrimination; quality and accuracy of inputs and outputs; technical failures and potential misuse. Reliance on information produced using AI-based technology and tools should factor in these risks.

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