

# Beyond the S&P 500: From Concentration to Conviction

Published January 8, 2026

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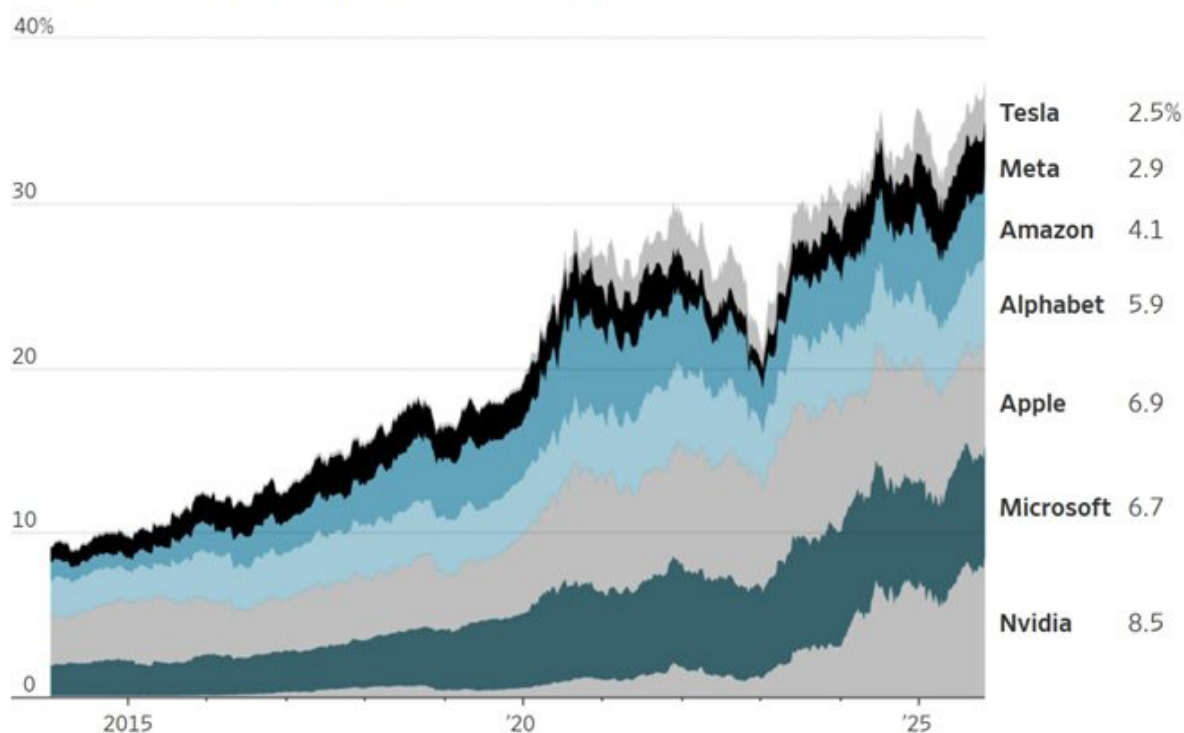
## Key Takeaways

- As of late 2025, the S&P 500's top-heavy structure, with nearly 40% of market cap in just seven tech giants, has pushed investors to seek more diversified strategies.
- While the S&P 500 Equal Weight Index tracked by RSP dilutes concentration risk, it also lowers quality exposure, highlighting a trade-off between balance and business strength.
- The [WisdomTree U.S. Value Fund \(WTV\)](#) outperforms by combining valuation discipline with shareholder-focused fundamentals, offering a compelling alternative to simple equal-weighting strategies.

When investors talk about the S&P 500, they often imagine a broad reflection of the U.S. economy, but in reality, the Index's behavior is increasingly dictated by a small cluster of mega-cap firms. Today, just seven companies, NVIDIA, Microsoft, Apple, Alphabet, Amazon, Meta and Tesla, account for nearly 40% of its total market capitalization. This level of concentration rivals or exceeds any prior period in modern market history, amplifying both returns and risk. In essence, the S&P 500 has become less a diversified portfolio and more a proxy for the world's most dominant technology platforms.

## Figure 1: Viewing the Concentration of Exposure in the Magnificent 7

## Market values as a share of the S&amp;P 500's total value



Note: Weekly data. Tesla joined the S&P 500 in December 2020.

Source: FactSet, as seen in: M. Bobrowsky, "Big Tech Is Spending More Than Ever on AI and It's Still Not Enough," The Wall Street Journal, 10/30/25. **Subject to change.**

Many investors that we speak to are thinking about ways to de-emphasize this concentration. A simple approach is to look at the [S&P 500 Equal Weight Index](#). The weights in the Magnificent 7 here were:1

- NVIDIA: 0.23%
- Tesla: 0.25%
- Apple: 0.24%
- Amazon.com: 0.19%
- Alphabet, across two share classes: 0.23%
- Microsoft: 0.21%
- Meta Platforms: 0.18%

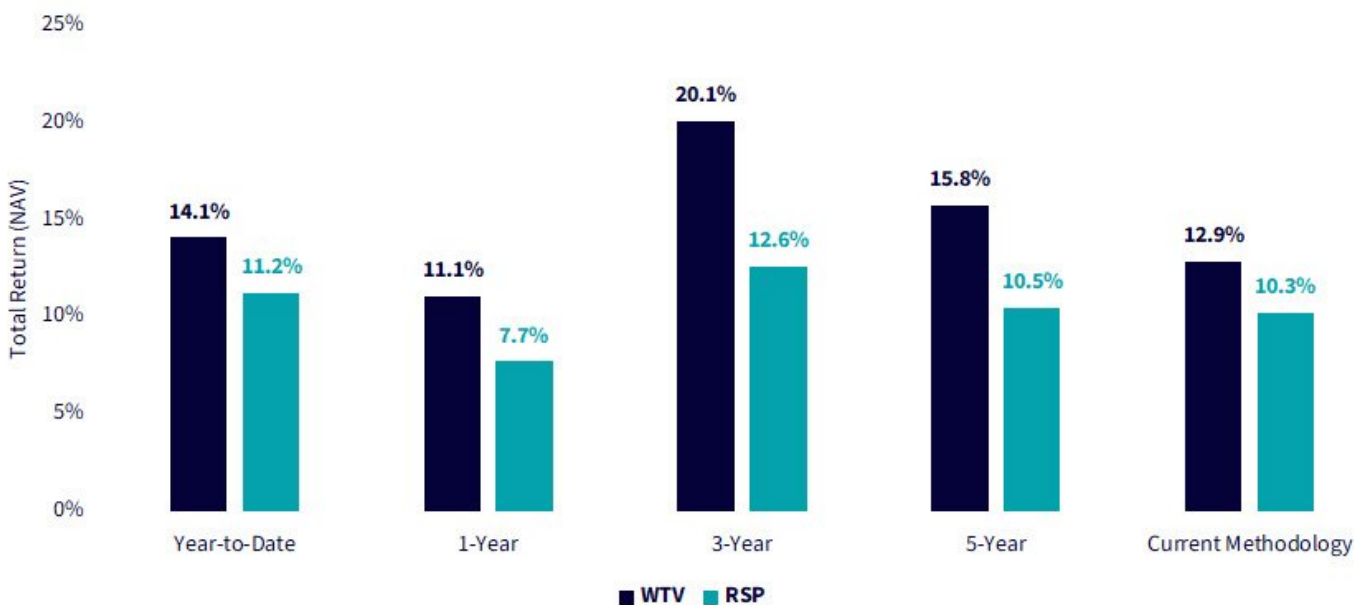
These weights make sense in that weighting 500 stocks equally would anchor at 0.20% per stock on the date of rebalancing. However, treating 500 companies exactly the same by way of weighting may be too strong a reaction to concentration risk. People may not want the weight in seven stocks to approach 40%, but they may also recognize that some companies are stronger than others.

## Performance, Where the Rubber Meets the Road

Under its current methodology,<sup>2</sup> the [WisdomTree U.S. Value Fund \(WTV\)](#) **has consistently outperformed the Invesco S&P 500 EqualWeight ETF (RSP)**<sup>3</sup> across multiple time horizons. WTV's fundamental weighting, focusing on companies reducing share counts and providing strong total shareholder yield, has proven more effective. By uniting diversification, valuation discipline and quality, WTV has turned its design into sustained outperformance.

**Bottom Line:** Both *WTV* and *RSP* sidestep the current concentration in very large companies that many see when they look at the S&P 500 Index. *RSP* is tracking a strategy that simply applies diversification by equalweighting; *WTV*, on the other hand, is focusing on a measure of investment fundamentals.

**Figure 2a: How WTV Has Delivered beyond Equal Weight**



Sources: WisdomTree, Morningstar, FactSet; specifically, data from the Fund Comparison Tool in the PATH suite of tools, accessed 12/17/25, with returns as of 12/16/25.

**Figure 2b: Standardized Performance**

Fund Name	Fund Ticker Symbol	Fund Inception Date	Fund Expense Ratio	Fund 30-Day SEC Yield	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Fund Inception
WisdomTree U.S. Value Fund (NAV)	WTV	2/23/07	0.12%	1.78%	10.36%	15.57%	23.36%	19.19%	13.33%	9.08%
WisdomTree U.S. Value Fund (MP)	WTV	2/23/07	0.12%	1.78%	10.28%	15.57%	23.36%	19.13%	13.33%	9.08%
Invesco S&P 500 Equal Weight ETF (NAV)	RSP	4/24/03	0.20%	1.63%	9.75%	7.65%	16.21%	13.74%	11.86%	11.09%
Invesco S&P 500 Equal Weight ETF (MP)	RSP	4/24/03	0.20%	1.63%	9.68%	7.66%	16.16%	13.75%	11.83%	11.09%
S&P 500 Index					14.83%	17.60%	24.94%	16.47%	15.30%	N/A
S&P 500 Equal Weight Index					9.90%	7.85%	16.44%	13.97%	12.10%	N/A

Sources: WisdomTree, Morningstar, FactSet; specifically, data from the Fund Comparison Tool in the PATH suite of tools, accessed 10/27/25, with returns as of 9/30/25. NAV denotes total return performance at net asset value. MP denotes market price performance. In the case of WTV, the Fund's objective changed effective 12/18/17. Prior to 12/18/17, Fund performance reflects the investment objective of the Fund when it tracked the performance, before fees and expenses, of the WisdomTree U.S. LargeCap Value Index.

**Past performance is not indicative of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. For the most recent month-end and standardized performances, click the relevant ticker: [WTV](#), [RSP](#).**

## Step One: From Market Weight to Equal Weight

It is natural to want to remove concentration in a small subset of stocks. That's the premise of the S&P 500 Equal Weight Index, where each company holds roughly the same 0.2% weight. The result is a more balanced and democratic version of the S&P 500, but with trade-offs.

In figure 3, we see that quality, measured by return on equity (ROE), declines sharply. The share of firms earning more than 30% ROE falls from 43.6% to 22.4%, while exposure to sub-10% or negative ROE companies doubles. Equal weighting removes concentration but also dilutes quality, spreading exposure across strong and weak businesses alike.

Figure 4 shows the valuation shift: the Index becomes cheaper, with exposure to high P/E names (30x–35x) dropping from 30% to about 8% and weight in single-digit P/E stocks tripling. Yet that value improvement comes at the cost of the efficiency that made large firms dominant in the first place.

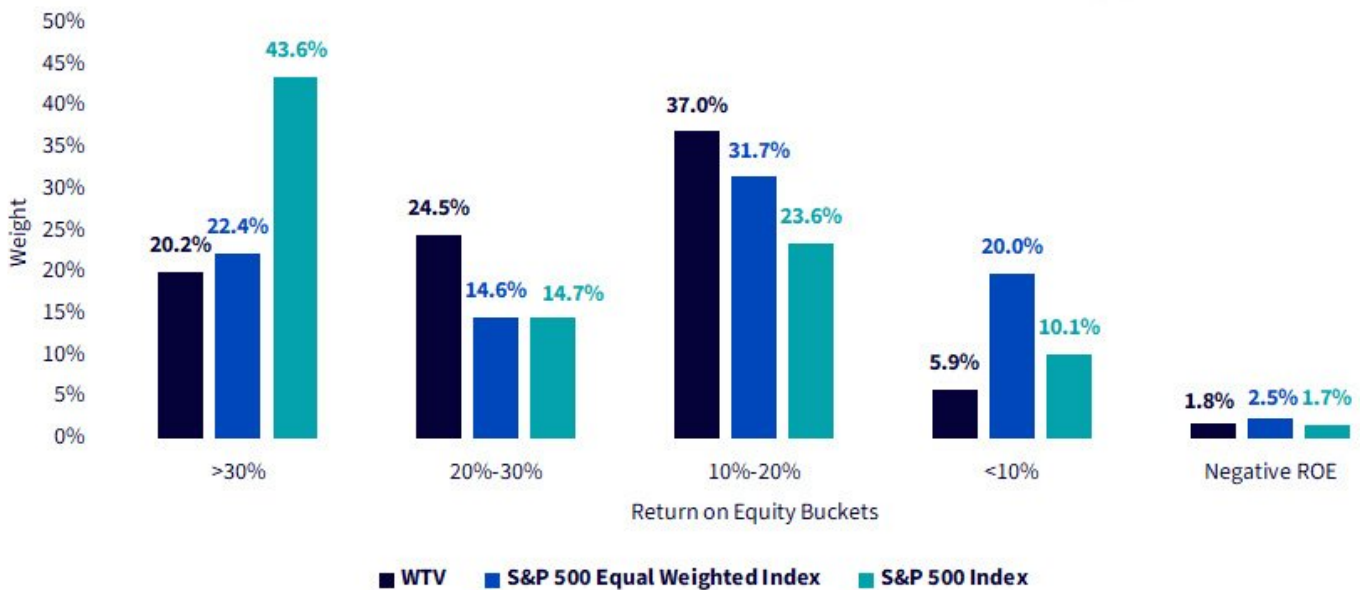
In short, the equal-weight approach broadens diversification, but at the expense of quality. The question remains: can we reduce concentration without abandoning excellence?

## Step Two: From Equal Weight to WTV

WTV seeks to answer that question. Instead of equal weighting every company or following market cap, WTV weights primarily based on a fundamental concept: a company's ability to return cash to shareholders—in other words, the concept of total shareholder yield.

Buybacks, when done sustainably, are one of the clearest signals of capital discipline. They reflect management teams confident in their balance sheets and long-term prospects. By prioritizing firms that are consistently shrinking their share bases, WTV builds a portfolio that is both quality-conscious and valuation-aware.

**Figure 3: The Hidden Quality Trade-off in Equal-Weight Indexing**



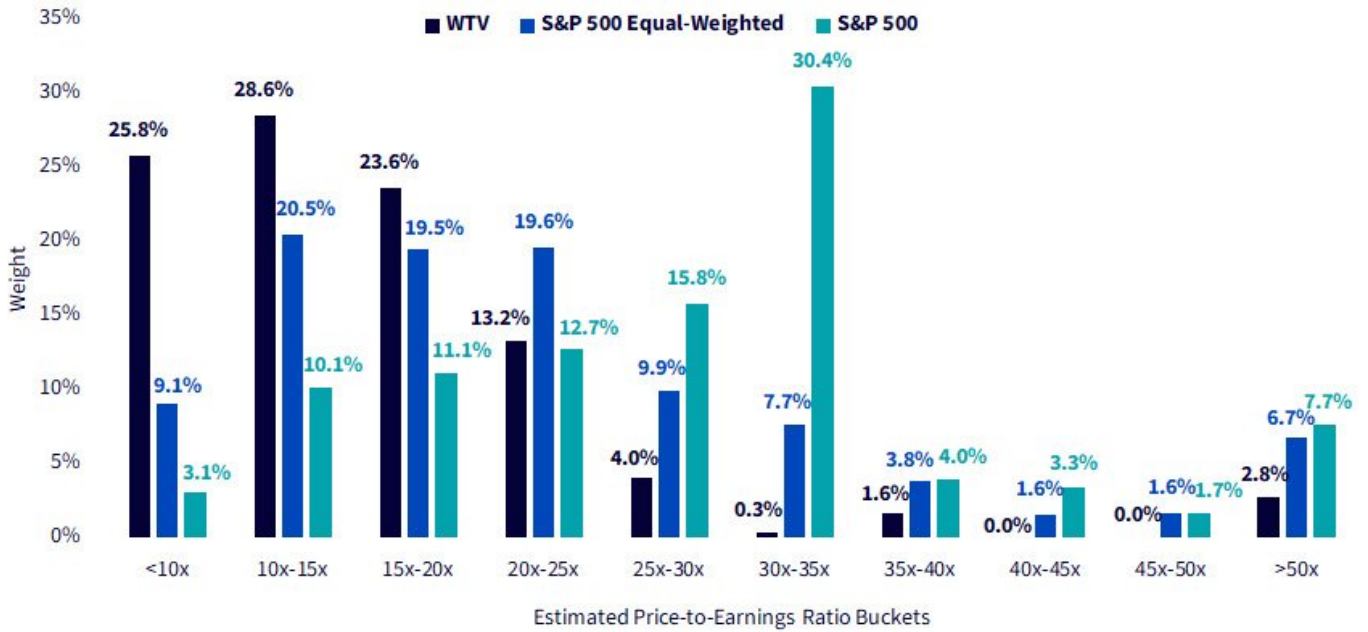
Sources: WisdomTree, FactSet, S&P. Data is as of 10/24/25. Subject to change.

**Conclusion: Valuation Discipline Without Sacrificing Fundamentals**

Turning to valuation, WTV pushes the improvement further than the Equal Weight Index, adding valuation discipline while preserving the quality profile seen earlier. As shown in figure 4, more than 50% of WTV's weight is in stocks trading below 15x earnings, compared to just 3% in the S&P 500. High-multiple exposure (above 30x) is nearly eliminated.

The result is valuation compression without quality loss: WTV owns companies that are *cheap for good reasons*, those using their earnings power to repurchase shares and reinvest productively, not firms that are merely inexpensive because they're weak.

**Figure 4: How WTV Anchors Exposure in Fundamentally Priced Stocks**



Sources: WisdomTree, FactSet, S&P. Data is as of 10/24/25. **Subject to change.**

**Figure 5: Additional Information**

Fundamentals	WisdomTree U.S. Value Fund	Invesco S&P 500 <sup>®</sup> Equal Weight ETF
Objective	The WisdomTree U.S. Value Fund seeks income and capital appreciation by investing primarily in U.S. equity securities that provide a high total shareholder yield with favorable relative quality characteristics. The Fund's objective changed effective December 18, 2017. Prior to December 18, 2017, Fund performance reflects the investment objective of the Fund when it tracked the performance, before fees and expenses, of the WisdomTree U.S. LargeCap Value Index.	Invesco S&P 500 <sup>®</sup> Equal Weight ETF (RSP) is based on the S&P 500 <sup>®</sup> Equal Weight Index (Index). The Fund will invest at least 90% of its total assets in securities that comprise the Index. The Index equally weights the stocks in the S&P 500 <sup>®</sup> Index. This approach results in an exposure that tilts toward smaller companies in the S&P 500 Index. Relative to market cap indexes like the S&P 500, this reduces the concentration risk. RSP and the Index are rebalanced quarterly.
Risks	There are risks associated with investing, including possible loss of principal. Funds focusing their investments on certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. Please read the Fund's prospectus for specific details regarding the Fund's risk profile. Dividends are not guaranteed, and a company currently paying dividends may cease paying dividends at any time.	There are risks involved with investing in ETFs, including possible loss of money. Shares are not actively managed and are subject to risks similar to those of stocks, including those regarding short selling and margin maintenance requirements. Ordinary brokerage commissions apply. The Fund's return may not match the return of the Underlying Index. The Fund is subject to certain other risks. Please see the current prospectus for more information regarding the risk associated with an investment in the Fund. Investments focused in a particular sector, such as technology, are subject to greater risk, and are more greatly impacted by market volatility, than more diversified investments.
Total Expense Ratio	0.12%	0.20%
Total Assets Under Management (millions, \$)	1,907	74,220

Sources: Fund sponsor web pages at WisdomTree and Invesco. Assets under management data is as of 10/27/25.

1 Sources: FactSet, S&P, with data as of 10/30/25.

2 WTV's current methodology has been in place since 12/18/17, and references the direct focus on total shareholder yield. Prior to that date, WTV was tracking a different investment strategy that was defined by the WisdomTree U.S. LargeCap Value Index.

3 RSP is designed to track the total return performance, before fees and expenses, of the S&P 500 Equal Weight Index.

## **Important Risks Related to this Article**

There are risks associated with investing, including the possible loss of principal. Funds focusing their investments in certain sectors increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility. While the Fund is actively managed, the Fund's investment process is expected to be heavily dependent on quantitative models, and the models may not perform as intended. Please read the Fund's prospectus for specific details regarding the Fund's risk profile.