

Concentrated Returns

BY ERIK FORD

The story of the equity market over the last year or so has been a tale of two groups, the top seven to ten stocks and the rest of the field. To those of us in the business of managing investments and providing advice, diversification is a critical element to prudent risk control. Concentration increases risk, as your portfolio not only relies on fewer investments for success but is also susceptible to losses with the poor performance of only a few investments, or even a single investment. In 2023 and into 2024, market returns have been very concentrated.

The most widely cited measure of US stock market performance is the S&P 500. It is an index of 500 large companies weighted by market capitalization. Market capitalization for a company is the number of shares of stock outstanding times the price per share. The larger a company's market capitalization, the higher its weight in the index. Movements, both up and down, in the price of the largest companies will affect the index to a greater extent than the smaller ones. Currently (late Feb.) the market capitalization of the largest seven companies is such that they represent 29%

of the S&P 500. The largest ten companies account for over 33%. That means that the other 490 companies account for 67% of the index. As a result, very few stocks can really move the market as measured by the S&P 500 index.

For reference, the top seven companies in the index are Microsoft, Apple, Nvidia, Amazon, Meta, Alphabet, and Tesla. The next three are Berkshire Hathaway (class B), Ely Lilly and Broadcom.

For 2023 the top ten companies accounted for 86% of the total return of the S&P 500 and the remaining 490 companies made up only 14%. This contribution calculation is based on index concentrations as of 1/1/2023. As the year progressed, these top names outperformed, so their concentrations increased as their market capitalizations increased relative to the rest of the index constituents. By the end of the year, the top ten practically accounted for the entire gain in the S&P 500. So far in 2024, these results have continued with a few exceptions as of this writing (TSLA and AAPL).

This experience can lead investors to be tempted to chase these "hot" names as the results of a more broadly diversified portfolio lags the headline index, let alone the top seven to ten names. The risk of concentration cuts both ways. Great when the few names are rocking it, but painful when the opposite occurs, and it eventually does. Take 2022 as an example when NVDA declined 50%, MSFT was down 28%, and AAPL fell 26%. All of the top seven declined, a couple over 60%, and the only gainers in the top ten were Berkshire Hathaway and Ely Lilly. We should not let our short-sighted view of the past (recency bias) influence our prudence in portfolio construction and asset allocation. It can be difficult to stick to our plan and long-term objectives when the temptation of outsized returns in the recent past are staring us in the face. If one accepts the risk of concentration (both up and down), that is their choice, but the important point is that it is understood, and the potential downside is acceptable.

Erik Ford is a financial advisor at Fortitude Capital Management (formerly Ford Wealth Management) in Glen Ellyn, IL. He is a CFP® certificate holder as well as an Accredited Investment Fiduciary®. Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc., A Registered Investment Advisor. Cambridge and Fortitude Capital are not affiliated. Cambridge and Fortitude Capital Management do not offer tax advice. The S&P 500 Index, or the Standard & Poor's 500 Index, is a market-capitalization-weighted index of the 500 largest publicly traded companies in the U.S. It is not an exact list of the top 500 U.S. companies by market capitalization because there are other criteria to be included in the index.



“HIGH ON THE HOG” SEASON TWO DISHES UP INSPIRATION

BY HALEY WONG

Stephen Satterfield begins and ends the second season of his starring role on “High on the Hog” staring out into the depths of the Atlantic Ocean. This expanse of sea saw the abduction and enslavement of millions of African Americans, beginning in 1619. Four centuries later, Satterfield, a food writer and ex-sommelier, stands to recount the narratives of Black resilience through food.

Dr. Jessica Harris, the author of the novel “High on the Hog” and the muse for this Netflix series, often accompanies Satterfield, as well as fellow gastronomic experts, while he examines the groundbreaking nature of African American cuisine, which continues to revolutionize the way this country dines today. The previous season took the two to North and South Carolina, Virginia, Texas and the coast of Benin. Released on November 22, 2023, its second season journeys through New Orleans, Edgard, Chicago, Harlem, Atlanta, Los Angeles and the Bronx. “High on the Hog: How African American Cuisine Transformed America” pays a thoughtful homage to the timeline of Black liberation through food, and its second season links Black cuisine from directly after the emancipation of slavery to the civil rights movement during the mid-to-late 1900s. Satterfield delves into Black history from all across the U.S., including how Black-owned restaurants like Paschal's in Atlanta, Georgia served as safe havens for civil rights activists such as Malcolm X and the stories of Chicago's Pullman Porters, Black men who toiled under despicable working conditions as servers on trains managed by the Pullman Company post-emancipation.

“High on the Hog's” cinematography is full of love, clearly directed by both a foodie and a humanitarian.

Eddie Belaval and Joshua Makela's cameras linger on every detail of each mouth-watering dish and capture the spark in every chef's eyes. This delightfully empathetic lens is exactly what gifts this series its trademark sentimentality. Many chefs Satterfield meets concur that creating food is an art form of resistance. Buoyant and joyful, the creative visions of Belaval and Makela secure this glorious portrayal with pride.

This season approaches culinary excellence, both with an admiring nod to the often unsung legacies of Black innovation and a reassuring salute to the legacies that trailblazing Black chefs are building today. Satterfield visits numerous Black visionaries who are centering sustainability, social justice, intersectionality and land reclamation in their work with food and drink. Satterfield's expert interviewing skills also ensure that every conversation he has with a chef equally catalogs the disparities and triumphs that make up Black history. There is no neat way to package trauma, so “High on the Hog” tells it like it is. Nevertheless, Satterfield leaves his audience with hope, which is proved to be the most valuable currency through the stories of countless Black Americans who fought valiantly for that very thing.

“High on the Hog” is a much-needed exploration of how Black culinary excellence has traversed, resiliently and passionately, through countless generations. This series does justice to the stunning radicality of finding joy through food and cultural connections. Moreover, it proves that community lies at the heart of resistance. To build that community, perhaps we should all consider what we can bring to the table.

INDEPENDENCE · INTEGRITY · INSIGHT



Fortitude Capital Management

Erik G. Ford, CFP®, AIF®
Advisor/Partner
800 Roosevelt Road | Building B, Suite 413
Glen Ellyn, IL 60137
fortitudecapitalgmt.com
Office 630.545.2800 | Mobile 312.804.9464
erik@fortitudecapitalgmt.com

Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc., A Registered Investment Advisor. Cambridge and Fortitude Capital Management are not affiliated.