

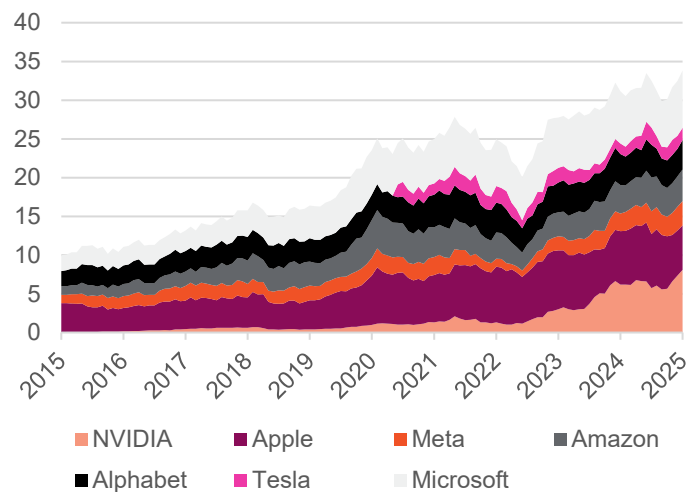
Portfolio checklist: A look under the hood

It's that time of year again. Just as families are replenishing supplies and checking off back-to-school lists, investors can also take the opportunity to conduct a portfolio checklist/review. After a sustained run in equities, particularly in certain sectors and individual names, portfolio concentration may be higher than intended. This is not about stepping away from the market, rather, it is about understanding what you own, identifying areas where exposure may have grown disproportionately, and ensuring your investment profile remains consistent with your objectives.

Concentration risks in a market on a high

In the U.S., the S&P 500 has never been as concentrated in a single stock as it is today. Nvidia now represents more than 8% of the index, the highest weighting for any company in its history and surpassing even Apple's dominance during the pandemic. Microsoft follows at roughly 7.1% and Apple at about 6.3%, both ranking among the largest index weights ever recorded. Nvidia's market capitalization has grown approximately 45% over the past year and +1,400% over the past five years, reaching \$4.3 trillion at the time of writing, about 37 times the average size of an S&P 500 constituent. Technology now makes up nearly 34% of the index, up from 26% at the end of 2020. Direct comparisons to earlier years are complicated by the 2018 GICS sector reclassification, which moved Alphabet, Meta, and several other large companies out of tech and into the expanded communication services sector (previously telecom), while Amazon has always been classified in consumer discretionary.

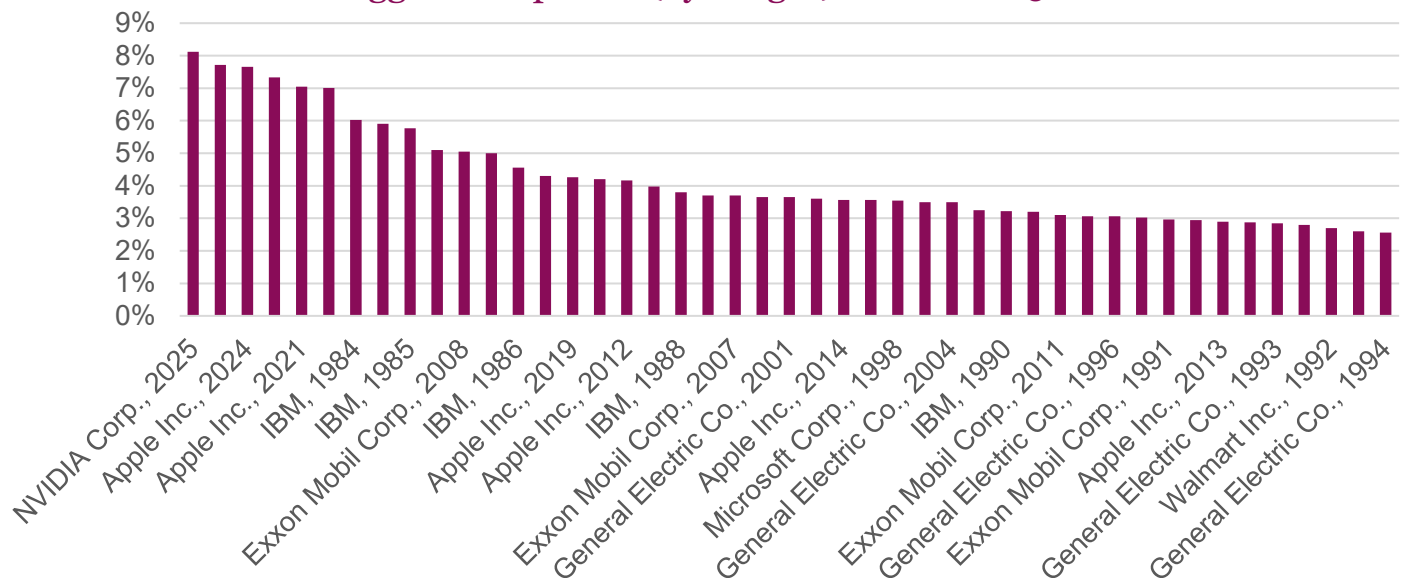
Magnificent 7 as a % of the S&P 500



Source: Bloomberg, as at July 31, 2025

Note: Tesla did not join S&P 500 until 2020.

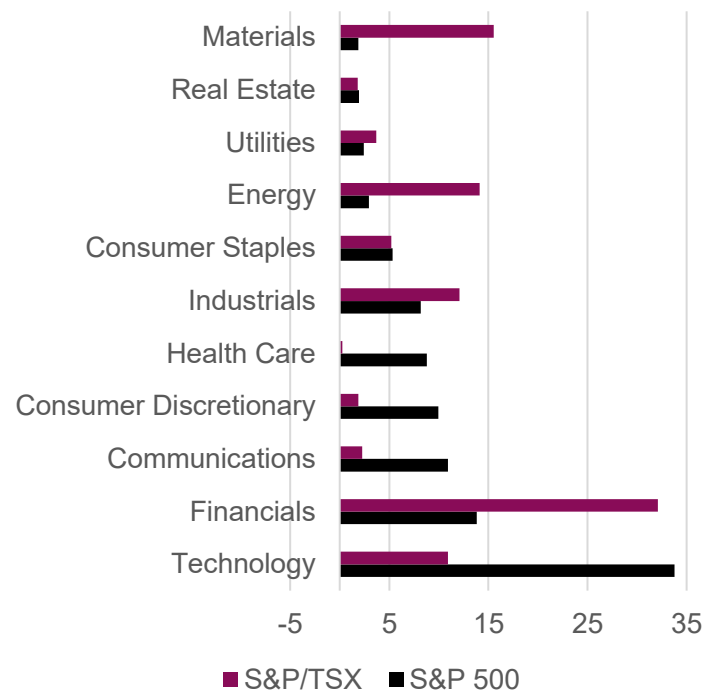
Biggest companies (by weight) in the S&P 500



Canada's market tells a similar story, albeit with different drivers. RBC holds roughly a 6.7% weight in the S&P/TSX, with Shopify close behind at 6.1%. Financials dominate at approximately 32% of the index, while materials, boosted by gold's strong performance, now represent about 15.5% of the index. Energy, industrials, and technology also hold double-digit weightings. While these concentrations are far below historical extremes, it is worth recalling that in 2000, Nortel comprised more than one-third of the then-TSE 300, an extraordinary level of dominance that influenced index performance until its collapse. We are certainly not drawing parallels to the current situation, but history underscores that extreme concentration can carry its own risks and consequences.

While record highs in major equity indexes make security and sector concentrations the most obvious starting points for a portfolio review, the checklist does not need to end there. Other elements such as geographic exposure, asset class balance, style tilts, currency risk, fixed income structure, and liquidity needs should also be assessed. The specific areas to focus on will vary by investor, but a thorough review ensures the portfolio reflects both current market conditions and individual objectives.

Sector weights by index



Seasonality offers a good time for a look under the hood

Concentration risk can amplify market swings and unintended exposures can accumulate over time. Ask yourself: Does any single stock account for more than 6–8% of your portfolio? Is any sector more than 20–25% of your equity exposure? Do you hold multiple funds or ETFs that overlap significantly in their top holdings? Have recent winners created an unplanned bias? Do your holdings still align with your long-term investment objectives and risk tolerance?

Rebalancing is not an exercise in market timing. It is a disciplined process rooted in the principle that long-term success comes from time in the market rather than timing the market. By trimming positions that have grown beyond intended levels, you can lock in gains, reduce single-stock and sector risk, and preserve a balanced allocation while continuing to participate in market opportunities.

Concentrated positions have delivered strong returns in recent years, but leadership can change quickly. A portfolio review, similar to preparing for a new school year, can help keep you organized, intentional, and well positioned to navigate both the opportunities and the risks that the next season may bring.

	Performance		Volatility (SD)	
	S&P/TSX	S&P 500	S&P/TSX	S&P 500
Jan	1.6%	1.2%	0.81%	0.91%
Feb	0.2%	-0.1%	0.75%	0.91%
Mar	0.2%	0.6%	0.88%	0.99%
Apr	0.6%	1.2%	0.76%	0.96%
May	0.3%	0.0%	0.73%	0.95%
Jun	-0.3%	0.8%	0.70%	0.96%
Jul	1.6%	1.7%	0.69%	0.89%
Aug	0.5%	0.7%	0.73%	0.92%
Sep	-0.7%	-1.2%	0.81%	1.05%
Oct	-0.5%	0.5%	1.04%	1.18%
Nov	1.3%	1.0%	0.80%	1.05%
Dec	1.5%	1.3%	0.75%	0.88%

Source: Bloomberg. As at July 31, 2025

Performance data is price return since 1928.

Volatility data is daily standard deviation averaged on a monthly basis. S&P/TSX since 1978, S&P 500 since 1928.

Source: Charts are sourced to Bloomberg L.P., and Richardson Wealth unless otherwise noted.

Authors: An Nguyen, VP Investment Services; Phil Kwon, Head of Portfolio Analytics; Andrew Innis, Analyst

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