

# Losing Concentration: Exploring Anticoncentration Funds

A European perspective on ETFs that reduce exposure to the largest US stocks.

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## Executive Summary

Rising concentration has become one of the defining features of modern equity markets over the past decade. While the largest stocks have been driving growth globally, concentration has been particularly striking in the US, where the "Magnificent Seven" stocks have come to dominate equity markets.

In this context, we review five exchange-traded funds available to European investors seeking to make less concentrated bets on large-cap US equities — a core allocation for many European portfolios.

Where possible, each fund is compared with the Morningstar US Target Market Exposure Index, which includes mega- to mid-cap stocks and covers about 85% of the total US equity market capitalization. This benchmark represents the standard market-capitalization-weighted approach.

## Key Takeaways

- ▶ In the past 10 years, concentration in the US equity market has risen along with the top constituents' contributions to index performance.
- ▶ With this rise, in the last two quarters of 2024, there was a significant increase in flows to European-domiciled "anticoncentration" US equity ETFs, estimated at close to USD18 billion. These include equally weighted, exclusionary (ex-mega cap), and mid-cap strategies.
- ▶ These ETFs' attempts to diversify away from mega-cap stocks come with associated bets determined primarily by the funds' methodologies and parent indexes.
- ▶ **Xtrackers S&P 500 EW ETF** and **Invesco Nasdaq-100 Equal Weight ETF**, which equally weight their constituents, have greater small-size exposure relative to their parent indexes. It's worth noting that equally weighted strategies generally have higher turnover, which can eat into a fund's long-term returns.
- ▶ **Amundi MSCI USA Ex Mega Cap ETF** and **iShares Nasdaq-100 ex Top 30 ETF** exclude mega-cap stocks and have lower size exposure compared with the Morningstar US TME Index. Their portfolios are extremely different because of their different parent indexes.
- ▶ **Invesco Nasdaq-100 Equal Weight ETF** and **iShares Nasdaq-100 ex Top 30 ETF** track indexes derived from the Nasdaq-100. This index has an arbitrary construction methodology and a concentrated portfolio. These same concerns apply to the funds tracking the equally weighted and ex-top 30 variants.

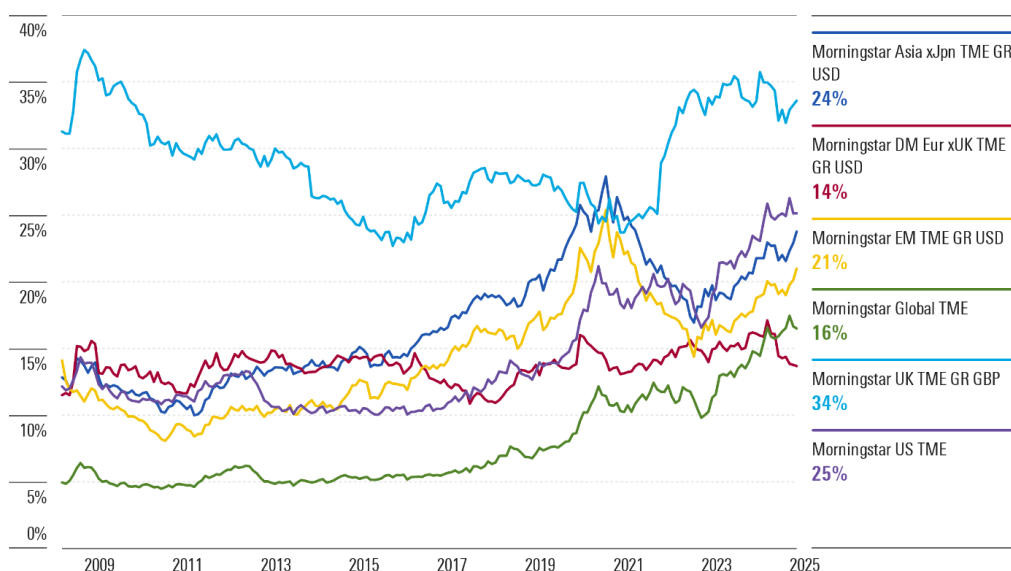
- ▶ A more extreme option reviewed is the **SPDR S&P 400 US Mid Cap ETF**. This strategy excludes large-cap stocks and instead primarily has exposure to small-cap stocks (as per Morningstar's size classification). Its sector composition is also considerably different from that of a standard market-cap-weighted large-cap blend index fund.
- ▶ Overall, understanding the associated, and occasionally unexpected, bets that come with these products is essential for investors looking to reduce concentration risk.

## Introduction

Over the past decade, the relative size of the largest companies in most of the major equity markets has grown.

Capitalizing on dominant positions in "winner-take-all" technologies, such as social networks or internet search, and benefiting from the boom in scale-dependent technologies, such as artificial intelligence, the largest US tech stocks have grown to dominate US equity markets.

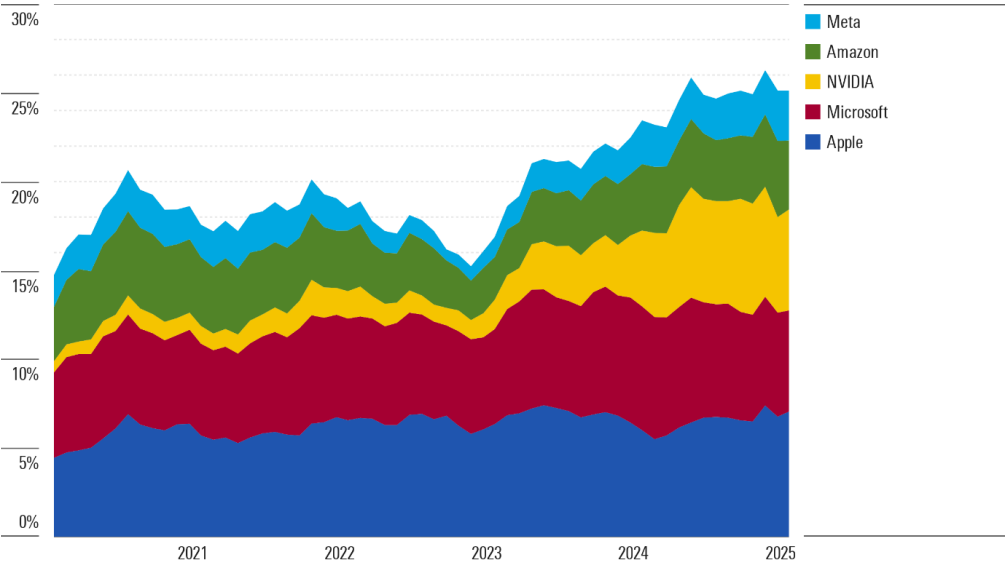
**Exhibit 1** Top 5 Index Constituents' Weights



Source: Morningstar Direct. Data as of Feb. 28, 2025.

For example, in the US, the market share of the top five constituents has more than doubled to 25% over the past decade, levels not seen since before the dot-com era.

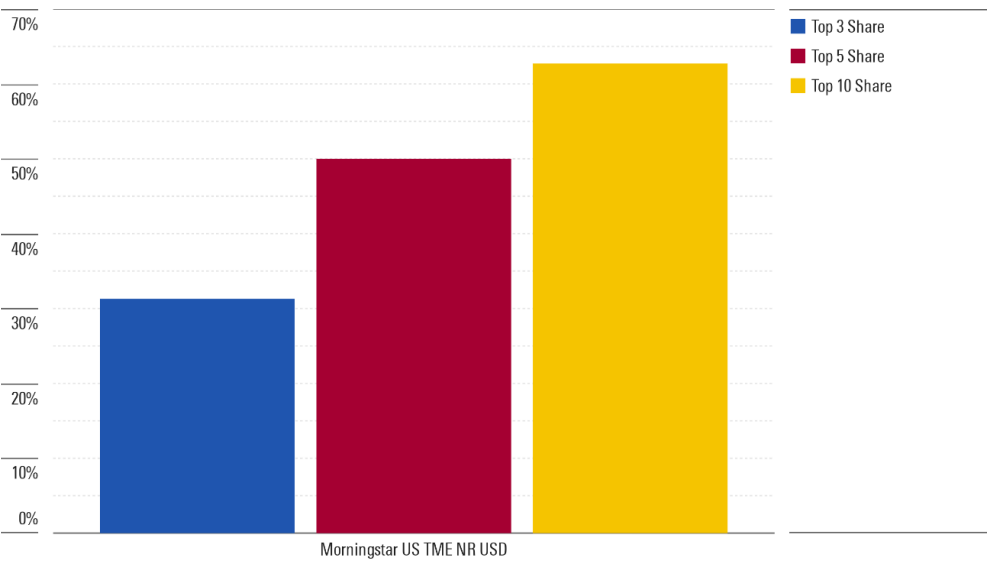
**Exhibit 2** Weights of the 5 Largest Constituents in the Morningstar US TME as of Feb. 28, 2025



Source: Morningstar Direct. Data as of Feb. 28, 2025.

This growing importance of the largest players is also reflected in performance figures. Over the trailing five years, the five largest US stocks were responsible for half of all index gains.

**Exhibit 3** Contribution to 5-Year Index Returns (%)



Source: Morningstar Direct. Data as of Feb. 28, 2025.

In the US, a low-cost market-cap approach that harnesses the wisdom of the crowd has proved remarkably difficult to beat over long periods. For this reason, low-cost trackers have become the default options for investors in US equities.

As successful as this approach has been, many investors have become concerned that it might leave them too exposed to the largest stocks in the index.

This concern has been further validated by recent developments. For example, as the repercussions of DeepSeek's latest model rippled through the markets, **Nvidia** NVDA, one of the largest companies in the world, tumbled 17% in one day, highlighting the fragility of tech valuations, particularly to developments on the cutting edge of artificial intelligence.

These tech giants may also be particularly exposed to geopolitical risk. For example, Elon Musk's controversial involvement with the US government has contributed to **Tesla's** TSLA stock plummeting by almost 50% from peak to trough for the year to date.

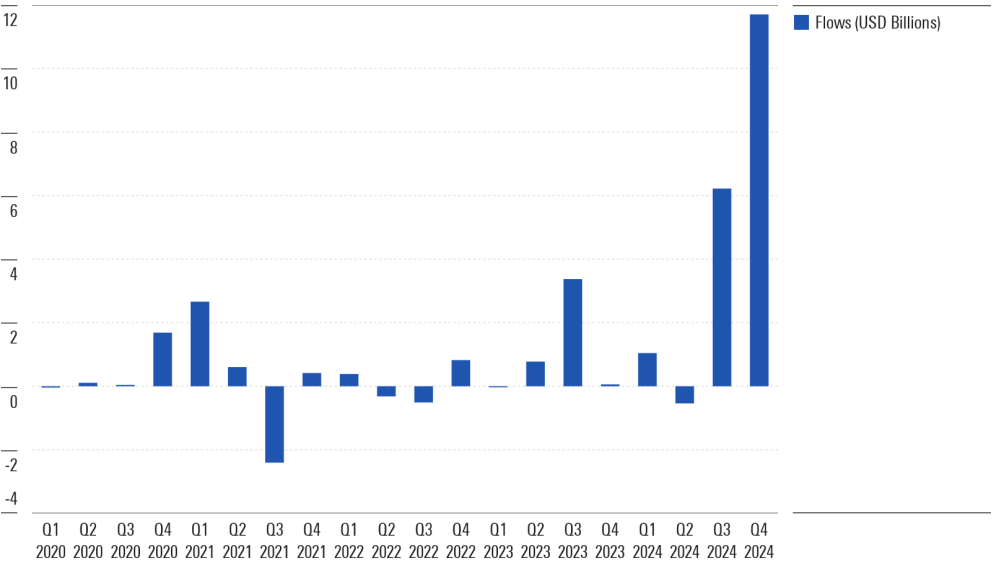
The extensive use of tariffs and other deglobalization policies further casts doubt on the central role played by the US, and by extension, its largest tech companies, in the global economy. Furthermore, non-US regions may retaliate against the largest US tech firms whose valuations rely on their global scale.

Others believe the tech giants have become too large and too powerful, pushing them into the crosshairs of anticompetition authorities as potential targets for breakup.

To mitigate this concentration risk, investors have turned to what we call "anticoncentration" ETFs—funds that reduce the reliance on large-cap stocks dominating traditional indexes.

Examples of these include equally weighted ETFs, mid-cap ETFs, and exclusionary ETFs like Amundi MSCI USA Ex Mega Cap ETF. Reflecting this trend, Exhibit 4 illustrates a significant rise in flows toward the anticoncentration strategies during the second half of 2024, estimated at close to USD 18 billion.

**Exhibit 4** Flows Into European-Domiciled 'Anticoncentration' US Equity ETFs, 2020–24



Source: Morningstar Direct. Data as of March 19, 2025.

**Overview of Anticoncentration Strategies**

In this section, we provide an overview of various popular "anticoncentration" ETFs, including equally weighted, exclusionary (or ex-mega cap), and mid-cap strategies.

**Equal Weight**

A common strategy used by investors to mitigate high index concentration is selecting an equally weighted index-tracking passive fund.

While market-cap-weighted indexes reflect the market's consensus opinion on the relative value of each firm, equally weighted indexes deliberately ignore these valuations. Instead, at rebalancing, the index assigns each constituent an equal weight of  $1/n$ , where  $n$  is the number of constituents in the index.

This strategy assigns an equal weight to all stocks, thereby reducing the influence of the largest companies and increasing the impact of smaller companies on returns versus standard market-cap indexes.

**S&P 500 Equal Weight**

The S&P 500 Equal Weight Index is based on the standard S&P 500 and contains the same constituents. Since there are around 500 stocks, each constituent's weight is reset quarterly to  $1/500$ , or 0.2%.

Products tracking the S&P 500 Equal Weight Index, sitting in the EAA Fund US Large-Cap Blend Equity category, currently receive Average Process ratings from our Manager Research team. This is rated two notches below the market-cap-weighted S&P 500's High process pillar rating, assigned to these S&P 500 tracking products that also sit in the EAA Fund US Large-Cap Blend Equity category. The Average Process ratings are assigned on products tracking the S&P 500 Equal Weight Index for the following reasons:

Funds tracking the S&P 500 Equal Weight Index are strategic-beta (or "smart beta") products. The term "strategic beta" refers broadly to a group of indexes and the exchange-traded products and other investment products that track them. Most seek to enhance returns or minimize risk relative to more traditional benchmarks. Others seek to address oft-cited drawbacks of standard benchmarks. These indexes may also aim to capture a specific factor or set of factors such as value, momentum, small size, low volatility, or quality

In the case of the S&P 500 equal weight fund, through equally weighting the 500 constituents the fund offers exposure to the size factor in US large-cap equities. Therefore, when evaluating the Process Pillar of a strategic-beta fund, we consider its ability to enhance returns or minimize risk relative to more-traditional benchmarks.

In the US, equity markets are widely considered highly efficient over long periods, with new information quickly absorbed into stock prices. As such, funds that bet against the market have generally struggled to outperform over extended periods.

While equal-weighted strategies tend to have exposure to the academically recognized value and size investment factors, they do so inefficiently. For example, if maximizing the value factor was the goal, directly targeting companies with value characteristics would achieve a purer focus. The equal-weighted approach also results in somewhat arbitrary sector bets versus the broader market. Sector weights are determined by the number of holdings in each sector, not their market valuations.

Furthermore, because stocks are not weighted by their market capitalization, regular rebalancing is required. To revert to equal weighting, stocks with price increases must have shares sold, while stocks with price decreases must have additional shares added to the portfolio. For example, the market-cap-weighted Morningstar US TME Index has a trailing one-year turnover of 2% compared with the Morningstar US TME Equal Weighted Index's 26% turnover. These additional trades create a cost drag on long-term returns.

The Average Process rating reflects how the strategy's inefficiencies make it an imperfect long-term investment tool, though it could still be an appropriate choice for investors looking to tactically bet against concentration.

**Exhibit 5** Europe-Domiciled ETFs Tracking the S&P 500 Equal Weight Index or Nasdaq-100 Equal Weighted Index

| Name                                     | Replication Method    | Primary Prospectus Benchmark     | Domicile   | KIID Ongoing Charge | Inception Date |
|--|-----------------------|----------------------------------|------------|---------------------|----------------|
| Invesco NASDAQ-100 Equal Wght ETF \$ Acc | Physical-Full         | NASDAQ-100 Equal Weighted TR USD | Ireland    | 0.20%               | 10/07/2023     |
| Amundi S&P 500 Equal Weight ETF Acc      | Synthetic Replication | S&P 500 Equal Weight TR USD      | Luxembourg | 0.12%               | 18/03/2025     |
| Invesco S&P 500 Equal Weight ETF Acc     | Physical-Full         | S&P 500 Equal Weight NR USD      | Ireland    | 0.20%               | 06/04/2021     |
| Invesco S&P 500 Equal Weight Swap ETF    | Synthetic Replication | S&P 500 Equal Weight TR USD      | Ireland    | 0.20%               | 14/01/2025     |
| iShares S&P 500 Equal Weight ETF USD Acc | Physical-Full         | S&P 500 Equal Weight NR USD      | Ireland    | 0.20%               | 02/08/2022     |
| UBS S&P 500 Equal Weight SF ETF \$ A-Acc | Synthetic Replication | S&P 500 Equal Weight NR USD      | Ireland    | 0.12%               | 20/02/2025     |
| Xtrackers S&P 500 EW ETF 1C              | Physical-Full         | S&P 500 Equal Weight NR USD      | Ireland    | 0.20%               | 10/06/2014     |

Source: Morningstar Direct. Data as of April 9, 2025.

Several Europe-domiciled ETFs track equally weighted versions of popular US large-cap indexes like the S&P 500 and the Nasdaq-100. Three of these ETFs launched in 2025 in response to growing demand for anticoncentration allocations.

**Nasdaq-100 Equal Weighted Index**

The Nasdaq-100 Equal Weighted Index is based on the Nasdaq-100, which consists of the 100 largest nonfinancial firms listed on the Nasdaq exchange. At each quarterly rebalancing, the weight of each constituent is reset to 1%.

Morningstar analysts do not currently assign the Nasdaq-100 Equal Weighted Index strategies a Process Pillar rating. However, funds tracking the market-capitalization-weighted Nasdaq-100, which sit in the EAA Fund US large-cap growth category, are assigned a Below Average Process rating by analysts. This is because of its construction rules, which prioritize exchange-based criteria over investment rationale. For instance, the index excludes prominent stocks like **Uber Technologies** UBER and **Oracle** ORCL simply because they are listed on the New York Stock Exchange, limiting its investment universe and reducing diversification. Additionally, the exclusion of financial firms and the overrepresentation of technology companies—reflecting the composition of the Nasdaq—mean that investors in the index are effectively making arbitrary but significant bets against the broader market.

The decision to narrowly limit index constituents to 100 also puts the Nasdaq-100 at a further disadvantage versus broader market strategies, which offer greater diversification across smaller firms.

Sharing this same starting universe, both the equal-weighted and ex Top 30 versions of the Nasdaq-100 absorb these flaws and also take on significant sector bets, which is discussed later in the paper.

Overall, the S&P 500 and Nasdaq-100 capture distinct but overlapping segments of the US equity market. The S&P 500 provides a broader portfolio, reaching further down the market-cap spectrum, while the Nasdaq-100 is more focused on larger companies. This difference is reflected in their equal-weighted versions. The Nasdaq-100 Equal-Weighted Index diversifies less from mega-cap and large-cap exposure than the S&P 500 Equal Weight Index does. The Process rating of Average for funds tracking the S&P 500 Equal Weight Index reflects our reservations about their effectiveness as long-term investment propositions.

However, given its broader scope and greater focus on smaller stocks, the equal-weighted S&P 500 rather than the equal-weighted Nasdaq-100, would be a more appropriate choice for investors seeking a tactical anticoncentration play. Even so, investors have other alternatives to consider as well.

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**Exhibit 6** Comparison of Selected Equal-Weight Options

| Name                                     | # of Stock Holdings | Size Score | Replication Method | Primary Prospectus Benchmark     | KIID Ongoing Charge | Inception Date |
|--|---------------------|------------|--------------------|----------------------------------|---------------------|----------------|
| Xtrackers S&P 500 EW ETF 1C              | 503                 | 176.00     | Physical-Full      | S&P 500 Equal Weighted NR USD    | 0.20%               | 10/06/2014     |
| Invesco NASDAQ-100 Equal Wght ETF \$ Acc | 101                 | 224.78     | Physical-Full      | NASDAQ-100 Equal Weighted TR USD | 0.20%               | 10/07/2023     |

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Source: Morningstar Direct. Data as of March 25, 2025.

### The Exclusionary Approach

A more recent anticoncentration strategy is being offered by a new wave of ETFs that exclude mega-cap stocks. As of this writing, the only two ETFs of this nature available in Europe are Amundi MSCI USA Ex Mega Cap and iShares Nasdaq-100 ex Top 30.

These funds track indexes that exclude the stocks with the highest market capitalizations. They differ from the equally weighted approach in that the remaining index constituents are weighted by market capitalization.

The MSCI USA Ex Mega Cap Select Index starts with the MSCI USA Index as its base, then removes the constituents of the MSCI USA Mega Cap Select Index, which includes the largest 30 to 50 stocks within the MSCI USA Index.

Meanwhile, the Nasdaq-100 ex Top 30 UCITS Index includes the 70 smallest companies from the Nasdaq-100.



**Exhibit 7** Comparison of Exclusionary Options

| Name                                     | # of Stock Holdings | Size Score | Replication Method | Primary Prospectus Benchmark       | KIID Ongoing Charge | Inception Date |
|--|---------------------|------------|--------------------|------------------------------------|---------------------|----------------|
| Amundi MSCI USA Ex Mega Cap ETF USD Acc  | 529                 | 197.15     | Physical-Full      | MSCI USA ex Mega Cap Select NR USD | 0.15%               | 12/11/2024     |
| iShares Nasdaq 100 ex-Top 30 ETF USD Acc | 70                  | 207.72     | Physical-Full      | Nasdaq-100 ex Top 30 TR USD        | 0.30%               | 28/01/2025     |

Source: Morningstar Direct. Data as of March 25, 2025.

Interestingly, when we compare their size exposures using size scores, both funds are making very similar aggregated size bets.

However, the ex Top 30 Nasdaq strategy faces many of the same challenges highlighted by its equally weighted counterpart in the previous section. These challenges include a narrow investment universe, arbitrary inclusion practices, and sector biases away from financials and towards technology.

**Investing in Mid-Caps**

For a more drastic way to diversify away from mega- and large-cap stocks, investors may look further down the market-cap spectrum and consider mid-cap stocks.

One of the few options available to European investors seeking exposure to US mid-cap stocks is SPDR S&P 400 US Mid Cap ETF.

This ETF physically replicates the S&P MidCap 400 Index, which is designed to ensure that its holdings don't overlap with those of the S&P 500. The strategy captures approximately 5% of the total US stock market capitalization.

**Exhibit 8** US Broad-Market Mid-Cap ETFs Available to Investors

| Name                                    | Replication Method | Primary Prospectus Benchmark           | Domicile | KIID Ongoing Charge | Inception Date |
|---|--------------------|--|----------|---------------------|----------------|
| Deka MSCI USA MC ETF                    | Physical-Full      | MSCI USA Mid PR USD                    | Germany  | 0.30%               | 08/06/2009     |
| iShares MSCI USA Md-Cp Eq Wgt UCITS ETF | Physical-Sample    | MSCI USA Mid Cap Equal Weighted NR USD | Ireland  | 0.20%               | 13/10/2016     |
| SPDR S&P 400 US Mid Cap ETF             | Physical-Full      | S&P MidCap 400 NR                      | Ireland  | 0.30%               | 30/01/2012     |

Source: Morningstar Direct. Data as of March 25, 2025.

This ETF sits in the EAA Fund US Mid-Cap Equity category. We rate this strategy with a Process Pillar rating of High, reflecting its solidly constructed market-cap benchmark, which is largely representative of the US mid-cap segment.

Our positive view of this strategy is based on its potential to outperform other mid-cap peers over the long term. As a tactical tool for a shorter-term anticoncentration bet, it represents an investment in mid-caps rather than a tilt away from mega-caps.

How the Options Differ

Applying equal weighting, exclusions, or selecting mid-cap exposure significantly alters the characteristics and market positioning of investment strategies compared with the default market-cap-weighted approach, using the Morningstar US TME Index as a benchmark. The table below discusses the key differences between the approaches.

Exhibit 9 Comparative Summary of Selected ETFs' Characteristics

| Feature               | Nasdaq-Based ETFs   | Amundi MSCI USA Ex Mega Cap ETF & Xtrackers S&P 500 EW ETF   | SPDR S&P 400 Mid Cap ETF  |
|-----------------------|---|--|---|
| Market Capitalization | Reduces but retains significant mega-cap exposure due to Nasdaq-100 parent index; majority of allocation is in large and mid-cap stocks | Significantly reduces mega-cap exposure, with primarily large- and mid-cap stocks in portfolio (Xtrackers S&P 500 EW ETF has a particularly high mid-cap allocation) | Strong allocation to small caps, with significant mid-cap representation                |
| Investment Style      | Growth-oriented   | Value-oriented   | Mixed   |
| Sector Allocation     | Overweights Information Technology; excludes Financials   | Overweights Industrials; underweights Information Technology and Communication Services  | Overweights Industrials; underweights Information Technology and Communication Services |

Source: Morningstar Direct. Data as of March 25, 2025.

A Closer Look

Applying equal weighting or exclusions or opting for a mid-cap option can cause significant changes in a strategy's characteristics and resultant bets when compared to a default market-cap approach.<sup>1</sup>

In this section, we take a closer look at five ETFs that were selected either because they are: rated by our Manager Research team, the iteration with the oldest inception date, or the only available option.

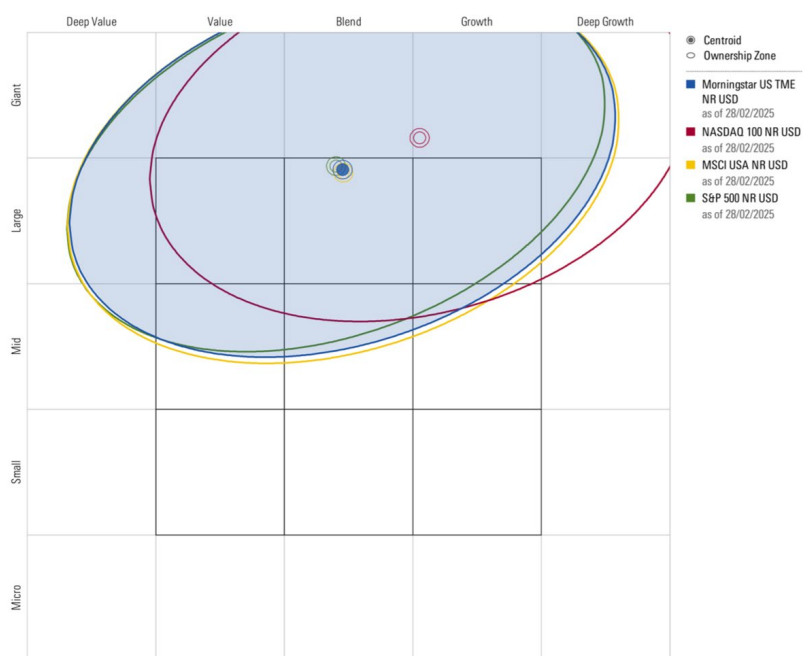
<sup>1</sup> The Morningstar US Target Market Exposure Index, which covers about 85% of the total market capitalization in the US equity market, is used in this section as a proxy for standard market-cap-weighted US large-cap exposure.

**Exhibit 10** Comparison of All Selected ETFs and Index

| Name                                     | # of Stock Holdings | Size Score | Replication Method | Primary Prospectus Benchmark       | KIID Ongoing Charge | Inception Date | Strategy Type  |
|--|---------------------|------------|--------------------|------------------------------------|---------------------|----------------|----------------|
| Xtrackers S&P 500 EW ETF 1C              | 503                 | 176.00     | Physical-Full      | S&P 500 Equal Weighted NR USD      | 0.20%               | 10/06/2014     | Equal Weighted |
| Invesco NASDAQ-100 Equal Wght ETF \$ Acc | 101                 | 224.78     | Physical-Full      | NASDAQ-100 Equal Weighted TR USD   | 0.20%               | 10/07/2023     | Equal Weighted |
| Amundi MSCI USA Ex Mega Cap ETF USD Acc  | 529                 | 197.15     | Physical-Full      | MSCI USA ex Mega Cap Select NR USD | 0.15%               | 12/11/2024     | Exclusionary   |
| iShares Nasdaq 100 ex-Top 30 ETF USD Acc | 70                  | 207.72     | Physical-Full      | Nasdaq-100 ex Top 30 TR USD        | 0.30%               | 28/01/2025     | Exclusionary   |
| SPDR S&P 400 US Mid Cap ETF              | 401                 | 82.60      | Physical-Full      | S&P MidCap 400 NR                  | 0.30%               | 30/01/2012     | Mid-cap        |
| Morningstar US TME NR USD                | 545                 | 290.11     | NA                 | NA                                 | NA                  | 22/11/2018     | NA             |

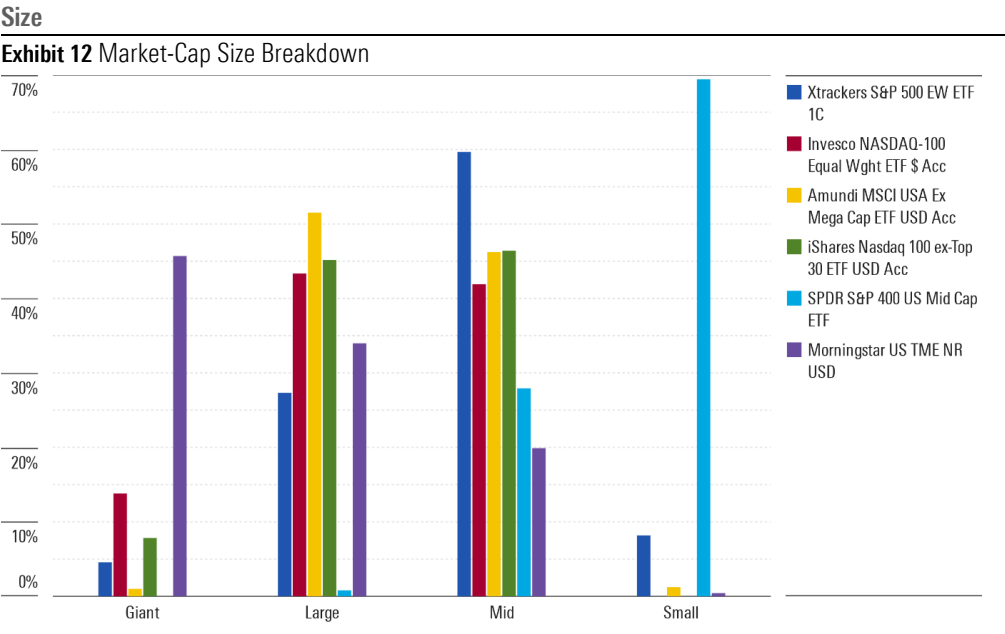
Source: Morningstar Direct. Data as of March 25, 2025.

Several of the deviations between the strategies can be explained by the structural features of their parent indexes. For instance, looking at size and style exposure, the MSCI USA, S&P 500, and the Morningstar US TME indexes all land on a similar point in the style box (see Exhibit 11). However, the Nasdaq-100 has a tilt toward larger, growthier stocks, which translates to the equal-weighted and exclusionary version of the strategy, too.

**Exhibit 11** Style Box of Parent Indexes

Source: Morningstar Direct. Data as of Feb. 28, 2025.

Summarizing the Bets



Source: Morningstar Direct. Data as of March 25, 2025.

Exhibit 12 shows the portfolio breakdown of the funds by Morningstar's market-capitalization groupings.

The funds’ portfolio is broken down by Morningstar's market-capitalization groupings: Giant-cap stocks make up the top 40% of the US equity market’s total capitalization, large-cap stocks account for the next 30%, mid-cap stocks follow with 20%, small-cap stocks constitute 7%, and micro-cap stocks represent the smallest 3%.

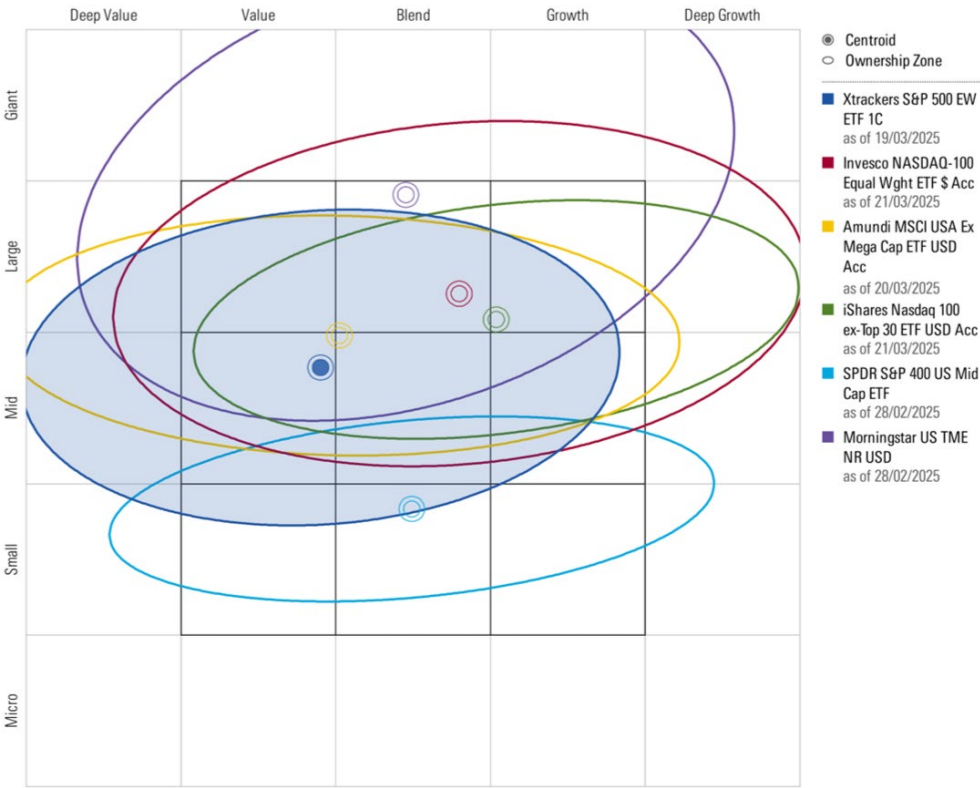
The goal of anticoncentration strategies is to reduce exposure to mega-cap stocks, and all the options offer lower exposure than standard market-cap-weighted large-cap exposure as proxied by the Morningstar US TME Index. However, both of the Nasdaq-based options still maintain some exposure to these stocks.

It’s important to note that Xtrackers S&P 500 EW ETF has a much larger mid-cap allocation compared with the other alternatives. In fact, the equal weighting of the S&P 500 effectively transforms it into a mid-cap index, with mid-cap exposure surpassing even that of SPDR S&P 400 US Mid Cap ETF, where most of the allocation falls under small-cap stocks in Morningstar’s classification.<sup>2</sup>

<sup>2</sup> This highlights the differences in mid-cap definition between S&P and Morningstar.

Factor Analysis

Exhibit 13 Market-Cap Size Breakdown



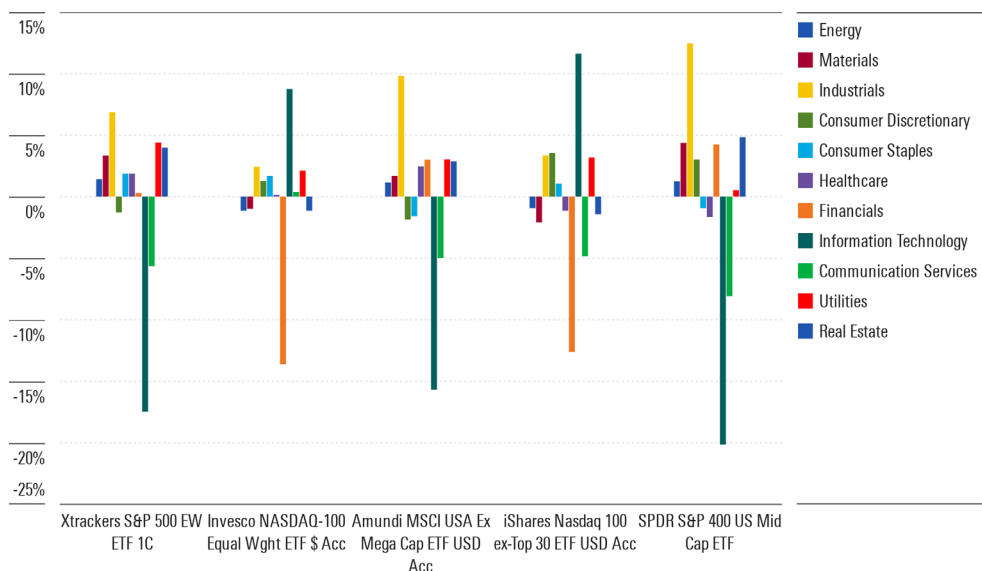
Source: Morningstar Direct. Data as of March 21, 2025.

Invesco Nasdaq-100 Equal Weight ETF and iShares Nasdaq-100 ex Top 30 ETF both provide growth-oriented exposure, while Amundi MSCI USA Ex Mega Cap ETF and Xtrackers S&P 500 EW ETF offer greater value exposure compared with the Morningstar US TME Index. As discussed, this is due to the parent index Nasdaq-100's stronger growth orientation, which carries over to its iterations.

Despite using different methods to diversify away from mega-cap stocks — exclusion versus equal weighting — Amundi MSCI USA Ex Mega Cap ETF and Xtrackers S&P 500 EW ETF exhibit similar value exposure.

## GICS Sectors

**Exhibit 14** Difference in GICS Sector Weights Relative to the Morningstar US TME Index



Source: Morningstar Direct. Data as of March 25, 2025.

Exhibit 14 shows the differences in sector weightings relative to the Morningstar US TME Index. The sectors with the largest deviations are information technology, communication services, financials, and industrials.

Invesco Nasdaq-100 Equal Weight ETF and iShares Nasdaq-100 ex Top 30 ETF are significantly overweight in information technology, while the other funds are underweight in this sector. This can be explained by their Nasdaq-100 parent index, which has a much higher exposure to IT at just under 50% compared with that of the Morningstar US TME Index, which allocates around 31%. Therefore, investors specifically seeking to reduce exposure to IT stocks would be better served by options not based on the Nasdaq.

In the communication-services sector, all but one fund, Invesco Nasdaq-100 Equal Weight ETF, show noticeably lower allocations. Like the IT sector, this sector includes major companies like Meta and Alphabet, which explains the tilt.

Nasdaq-based anticoncentration options significantly underweight financials owing to the blanket exclusion of financial stocks from their parent index, while the alternative funds tend to overweight this sector.

Finally, all five funds overweight industrials relative to the Morningstar US TME Index, with this weighting being particularly prominent in the case of the SPDR S&P 400 Mid Cap ETF.

### **Considerations When Picking Anticoncentration Strategies**

Diversifying away from mega-cap stocks involves different strategic bets, depending on the chosen approach and the stock universe defined by the parent benchmarks. Investors seeking to reduce concentration risk typically don't sell their entire broad-market allocation but instead replace a portion of it with one of the anticoncentration funds we've featured above to manage risk. When evaluating these funds as tactical tools to help investors reduce concentration in their equity portfolios, investors should be mindful of what they are simultaneously betting for or against when aiming to reduce concentration risk.

For instance, SPDR S&P 400 US Mid Cap ETF lacks significant overlap with US large-cap exposure. This means it is most suitable for targeting smaller companies (which have their own characteristics) rather than tilting away from the largest companies.

The anticoncentration Nasdaq ETFs highlighted, Invesco Nasdaq-100 Equal Weight ETF and iShares Nasdaq-100 ex Top 30 ETF, track indexes that are based on the Nasdaq-100 and, in turn, share the issues of a faulty structure and narrow portfolio. Therefore, both funds have drawbacks as tools for managing concentration risk.

In contrast, Xtrackers S&P 500 EW ETF and Amundi MSCI USA Ex Mega Cap ETF offer broader, more diversified options. Both take sector bets, as outlined above, and share similar size and value orientations. The Xtrackers fund's inefficiencies, such as higher turnover and associated costs, make it less suitable as a long-term investment tool, however, it may still be a viable option for investors aiming to make tactical bets on concentration. Amundi MSCI USA Ex Mega Cap ETF should benefit from lower turnover and associated costs because of its market-cap weighting, and in turn could be another suitable anticoncentration option. ■■

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