Thinking Man 111: A Growthier, Higher Quality, and More Global S&P 500 Than Ever
September 2025

Since founding BigSur Partners in the fourth quarter of 2007, we have consistently emphasized the importance of global asset allocation while being thoughtful about how we size our U.S. exposure. Today, U.S. equities make up roughly 66% of major global equity benchmarks such as the MSCI All Country World Index, yet our portfolios reflect a strategic overweight to the U.S. market at over 80%. Our clients access this exposure through broad indices like the SPY or through portfolios of S&P 500 companies.

This positioning has been intentional and advantageous. Still, it is important to recognize the shifts taking place in global equity markets. The S&P 500 has evolved into an index more growth-oriented, more technology-driven, higher quality, and more globally exposed than at any point in its history. These changes not only distinguish today's S&P 500 from its own past but also from most other national stock market indices around the world.

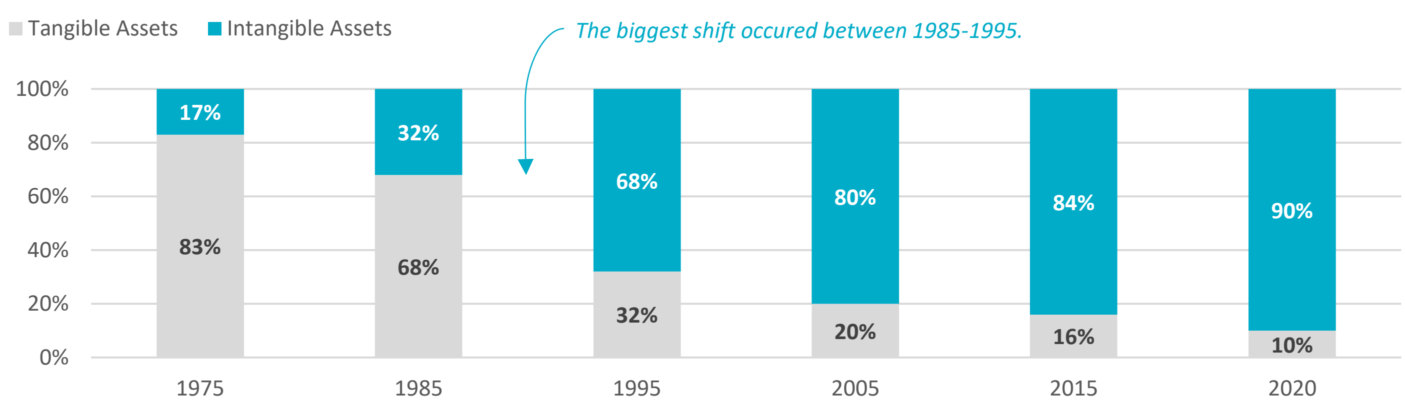
This evolution brings both strengths and risks, underscoring the need to continually evaluate how leadership, concentration, and innovation shape the investment landscape.

Growth, Quality, and Intellectual Capital

Since the early 2020s, the S&P 500's earnings growth has accelerated, led by the technology and communications sectors. High-quality firms with strong profitability and resilient balance sheets such as Nvidia, Microsoft, Apple, and Alphabet now dominate the index in terms of weighting, contributing median free cash flow margins above 20% compared with about 10% for the rest of the market.

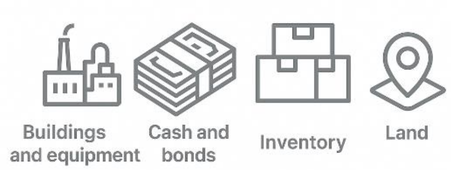
A large part of this growth is built on intellectual capital. Intangible assets such as R&D, software, patents, brand equity, and data now make up about 90% of the S&P 500's total assets, up from just 20% in 1975. Between 2018 and 2023, growth in intangible investment tripled that of tangible assets. In dollar terms, the value of intangibles rose from $122 billion in 1975 to $21 trillion by 2020 and continues to climb. Below we show a graphic highlighting this structural shift and the growing role of intangible assets in the S&P 500:

Intangible assets currently account for 90% of the S&P 500's total assets



Source: Ocean Tomo Intangible Asset Market Value Study

Examples of Tangible Assets:



Examples of Intangible Assets:

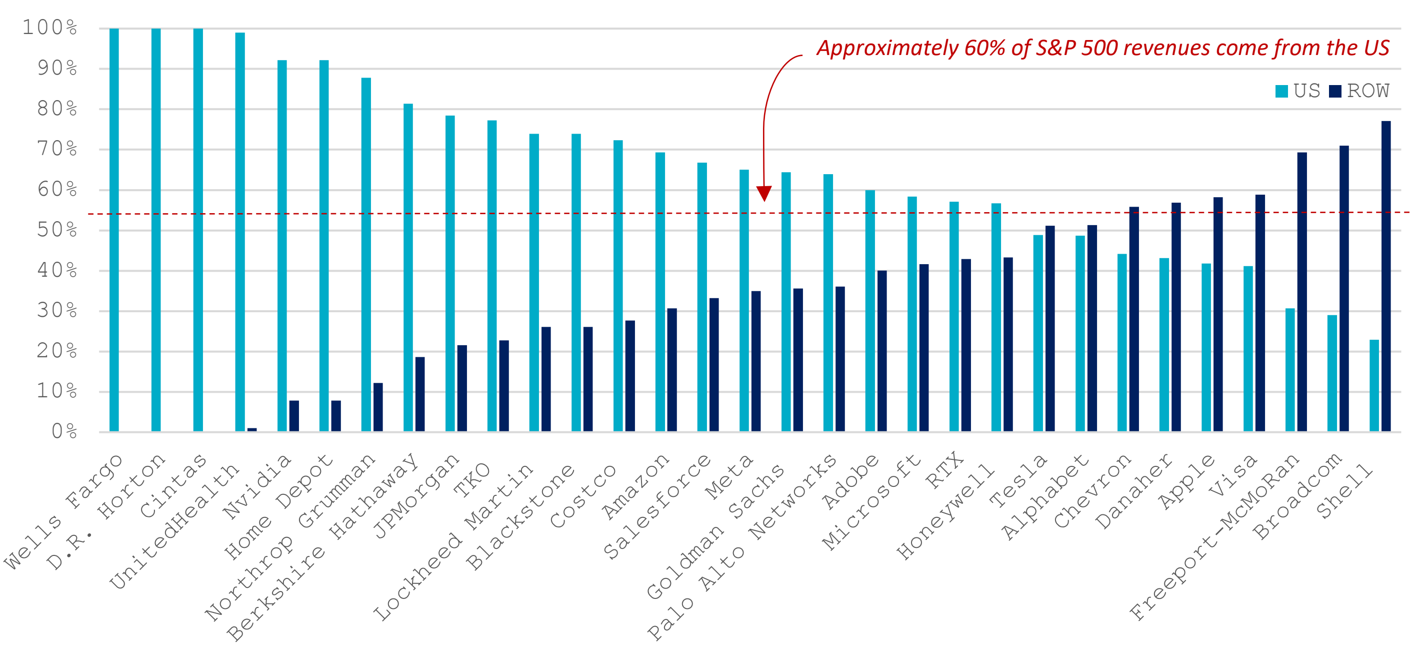
Technology and Sector Concentration

Technology now represents a record share of the index. As of July 2025, pure Information Technology accounts for about 34% of the S&P 500. When including Meta and Google in Communication Services and Amazon and Tesla in Consumer Discretionary, the largest "tech-influenced" companies represent ~45% of the market cap.

The top 10 stocks, mostly technology-related, now make up about 38% of the index, surpassing even the levels reached during the dot-com bubble. Nvidia alone is nearly 8%, the highest weight of any single stock since 1981. These changes mark the most significant transformation in the S&P 500's history, eclipsing earlier eras dominated by industrials, energy, or financials. In August 2025, the index reached an all-time high of 6,501, underscoring its outlier performance.

Global Reach and Index Comparisons

Although it is a U.S. index, S&P 500 companies generate approximately 40% of their revenues abroad, giving the index more international exposure than most single-country benchmarks. This combination of global reach and technology leadership has helped the S&P 500 outperform other major benchmarks over the past decade. Neither the UK's FTSE 100 nor Japan's Nikkei 225 combine this kind of global footprint with such a high concentration in technology. Other indices like MSCI World or Germany's DAX, with more balanced sector allocations and a lower reliance on technology profits, have lagged the S&P 500's performance. Below we show some of the top names from our BSP Equity List and their respective U.S. versus Rest of World revenue share:



Source: FactSet

Winner-Takes-All Capitalism and Concentration Risks

The current market reflects a "winner-takes-all" dynamic, where a small group of firms capture the majority of profits and market influence. Network effects, proprietary technology, and intangible assets allow these firms to scale rapidly and entrench their positions.

In 2025, the top 1% of U.S. companies account for more than 93% of all corporate after-tax profits. Nvidia, the S&P 500's largest stock at an 8% weight, is now larger than the entire Health Care sector, twice the size of the Small Cap universe, three times that of Oil and Gas, and worth more than the entire German equity market.

Limited antitrust action, profit shifting through intellectual property, and the rise of passive investing reinforce this concentration. The "iron rule" of mean reversion (the idea that valuations and performance eventually revert to long-term averages), often emphasized by Jack Bogle, seems to be challenged as dominance by mega-cap tech persists.

Conclusion

The S&P 500 of 2025 represents the most profound structural shift in the index's history. It is more growth-oriented, more technology-driven, and more globally exposed than ever before, with company quality and profitability at record highs. This unique mix has made the S&P 500 both a driver of extraordinary returns and a source of heightened concentration risk.

For investors, the lesson is twofold: the S&P 500 remains the world's most powerful equity benchmark, but it is also more reliant than ever on a handful of mega-cap firms. Recognizing both the opportunities and vulnerabilities of this new era will be central to navigating portfolios in the years ahead.

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