

A good curator selects only the best

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Image in Focus: All eggs, one basket – navigating concentration risks

In recent years, global equity markets have become more concentrated. This concentration makes investors more vulnerable to market shocks, such as the recent sell-off in tech stocks. This week, Robeco, manager of the Curate Global Sustainable Equity Fund and the Curate Global Emerging Markets Equity Fund, highlights the importance of small active positions and diversification outside of US markets.

Markets get increasingly concentrated



Source: Robeco, Refinitiv. The figure shows the effective N for the MSCI World Index over time. Effective N is calculated as the inverse of the Herfindahl-Hirschman Index (HHI) for portfolio weightings, where HHI is the sum of the squared stock weightings. For instance, in a portfolio of 100 stocks with equal weightings, the effective N would be 100. In contrast, if a single stock dominated 99.9% of a 100-stock portfolio, the effective N would be closer to 1. The sample period is December 2000 to December 2024.

Summary of chart

Global equity markets have become increasingly concentrated in recent years, primarily driven by US tech stocks. This concentration is measured by the effective N metric, which indicates how diversified a portfolio is – a higher effective N means better diversification. This concentration heightens vulnerability, as the recent US tech sell-off illustrates. Investors seeking broad-based market exposure at lower costs may therefore find systematic strategies, which take more active over- and underweight positions, more suitable.

How does this link to the positioning of the Curate Global Sustainable Equity Fund and the Curate Global Emerging Markets Equity Fund?

Robeco uses a systematic, data-driven process to enhance returns of the index but with lower long-term risks. The Curate Global Sustainable Equity Fund can enhance returns compared to the MSCI World Index through many small active positions in response to market conditions, while the Curate Global Emerging Markets Equity Fund can increase diversification by expanding exposure beyond concentrated US markets.

Key takeaways from the chart

- ✓ The decline in the effective diversification ('effective N') of the MSCI World Index highlights growing concentration risks
- ✓ A systematic approach offers a compelling alternative to traditional passive investing and allows investors to retain the cost-efficiency and structure of indexing while seeking improved risk-adjusted returns
- ✓ Investors should consider exposure to global markets, such as emerging markets, to expand their diversification

The Curate Global Sustainable Equity Fund and the Curate Global Emerging Markets Equity Fund

Managed by [Robeco](#)

ROBECO

The Investment Engineers

Fund overview of the Curate Global Sustainable Equity Fund

This fund invests in global stock markets, with a specific focus on companies that demonstrate higher levels of sustainability. Using a systematic, data-driven process, it aims to deliver returns aligned with global stock markets, but with lower long-term risks.

Fund overview of the Curate Global Emerging Markets Equity Fund

This fund is designed for investors who want access to shares in emerging markets such as China, India, South Korea, and Brazil. It offers the potential for high returns over the long term of at least seven years, but there can be a significant amount of variability in performance over shorter periods.

News and insights

Click [here](#) to watch Jan de Koning, client portfolio manager at Robeco, discuss more about himself and how he thinks about investing at the intersection of art and science.

For more information, visit our website [here](#).

Kind regards
The Curate Team

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