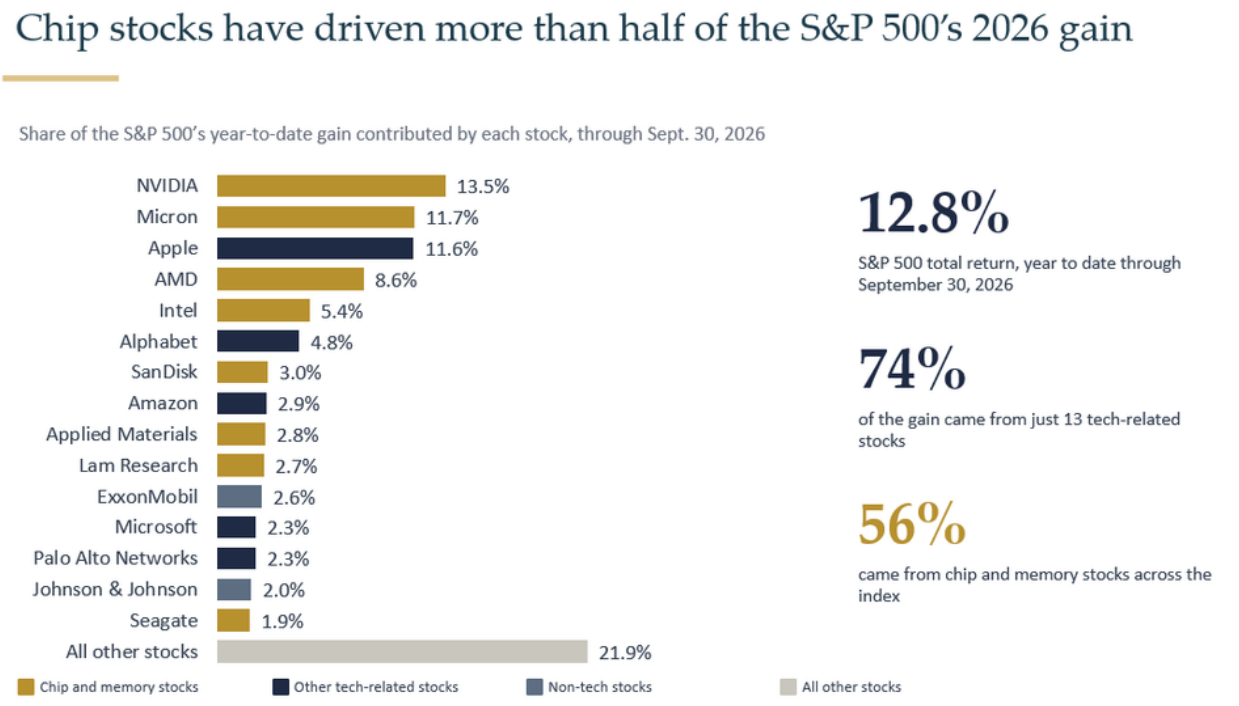
CHART OF THE WEEK | 10.13.2026

Chart of the Week No. 2

The S&P 500 is up 12.8% this year through September 30, but more than half of that gain traces back to a narrow group of chip and memory companies.



Source: Bloomberg, iShares Core S&P 500 ETF (IVV) holdings; total return, 12/31/25–9/30/26. Contribution = 12/31/25 weight × YTD total return; excludes 18 stocks added to the index in 2026 (1.4% of current weight). Alphabet combines both share classes. Chip and memory and tech-related groupings are Choate's; tech-related includes Alphabet, Amazon, and Meta, which GICS classifies outside Information Technology. Past performance is not indicative of future results.

- **1) The market's 2026 gain has been narrow.** Just 13 tech-related stocks account for 74% of the S&P 500's year-to-date return, and chip and memory names alone account for 56%. NVIDIA, Micron, and AMD together contributed roughly a third of the total. These strong returns have contributed to the semiconductor industry growing from roughly 5% in 2020 to close to 20% of the S&P 500 Index today.
- **2) The surge may reflect a temporary supply/demand mismatch.** AI data-center buildouts are absorbing a disproportionate share of memory capacity, and that scarcity has pushed prices and profits sharply higher for the companies on this chart. Shortages like this tend to correct as new capacity is brought online. New chip fabrication capacity from Samsung, SK Hynix, and Micron is expected to arrive in 2027 and 2028, which some analysts believe will lead to price erosion and slower earnings growth.
- **3) Diversification is a practical response.** Many investors own these companies through broad index exposure, and that may be a sensible place to stop. Chasing semiconductor stocks' recent strength could prove risky as much of the move reflects conditions that may not last. Maintaining portfolios diversified across sectors and geographies could help soften the impact of a reversal in this

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