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THE HOME OF WEALTH

IN THIS ISSUE

The Magnificent Seven —Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla—dominated the market in 2024, comprising about 33% of the index and contributing over half of the S&P 500's 25% gain. However, their soaring valuations and potential volatility highlight the importance of maintaining a balanced investment portfolio to manage risk effectively.

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WILL THE MAGNIFICENT 7 KEEP SHINING IN 2025?

RENEE EAGAR | CERTIFIED FINANCIAL PLANNER®, HEAD OF BWM CLAREMONT

If you've been following the stock market, you've probably heard a lot about the Magnificent Seven – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. These big tech companies led the charge in 2025, making up a substantial part of the market's growth.

These seven stocks currently make up around 33% of the index and alone were responsible for more than half of the S&P 500's 25% growth in 2024. But if you were to remove them, the remainder of the market only grew by about 11.8%, in USD terms, over the same period. After such a strong run, you might be wondering – should I still invest in them, or is it too late?

This is a question that professional and casual investors constantly ask because the wrong decision and trying to time these moves can, over time, destroy the value and the balance within your portfolio.

FOMO VERSUS FUNDAMENTALS

The story of these soaring share prices is a great lesson on how to approach your investments. It's easy to get caught up in the excitement when you see stocks making such huge gains, but just because something's gone up, doesn't mean it will keep rising.

Time and again, I've watched as investors fall into the trap of chasing that which has already performed well. It is, indeed, human nature to always want the best. But history shows that markets don't grow in a linear line, and the stocks that soar the highest can also fall the hardest.

In my experience, and in reality, the average investor enjoys the 20% upside but cannot stomach the 20% drop. A person's risk profile plays a critical role in this equation and any advisor worth their salt, so to speak, will help you maintain a balanced approach, taking your needs and objectives into account.

If your retirement plan is built around maintaining financial security, you need to ask yourself: Are you investing based on a sound strategy, or just trying not to miss out?

For South African investors, the stakes are always high. A weakening and volatile local currency makes offshore investing a necessity. If you are an investor, the chances are good that you are already exposed to the Magnificent Seven. Would I exclude them from a portfolio? Most definitely not, but one needs to understand the risks involved.

THE ILLUSION OF SAFETY

The biggest companies in the world might seem like the safest bets. After all, they dominate their industries, make billions in profits and drive innovation. But their size doesn't mean their share prices won't fall. High-growth stocks can be volatile, and when market sentiment shifts, their share prices can drop sharply.

This was clear to see earlier this year when markets reacted to the news that Chinese AI tool DeepSeek was a true rival to established players, such as OpenAI. The announcement led to significant selloffs in major tech stocks, with companies like Nvidia experiencing substantial market value losses.

Volatility in popular tech stocks is nothing new. During the dot-com boom, investors piled into the biggest tech names, believing they couldn't lose. When the market corrected, many of those stocks took years to recover – some never did.

While today's Magnificent Seven are stronger businesses, their stock prices are still subject to the same forces of speculation, hype and corrections.

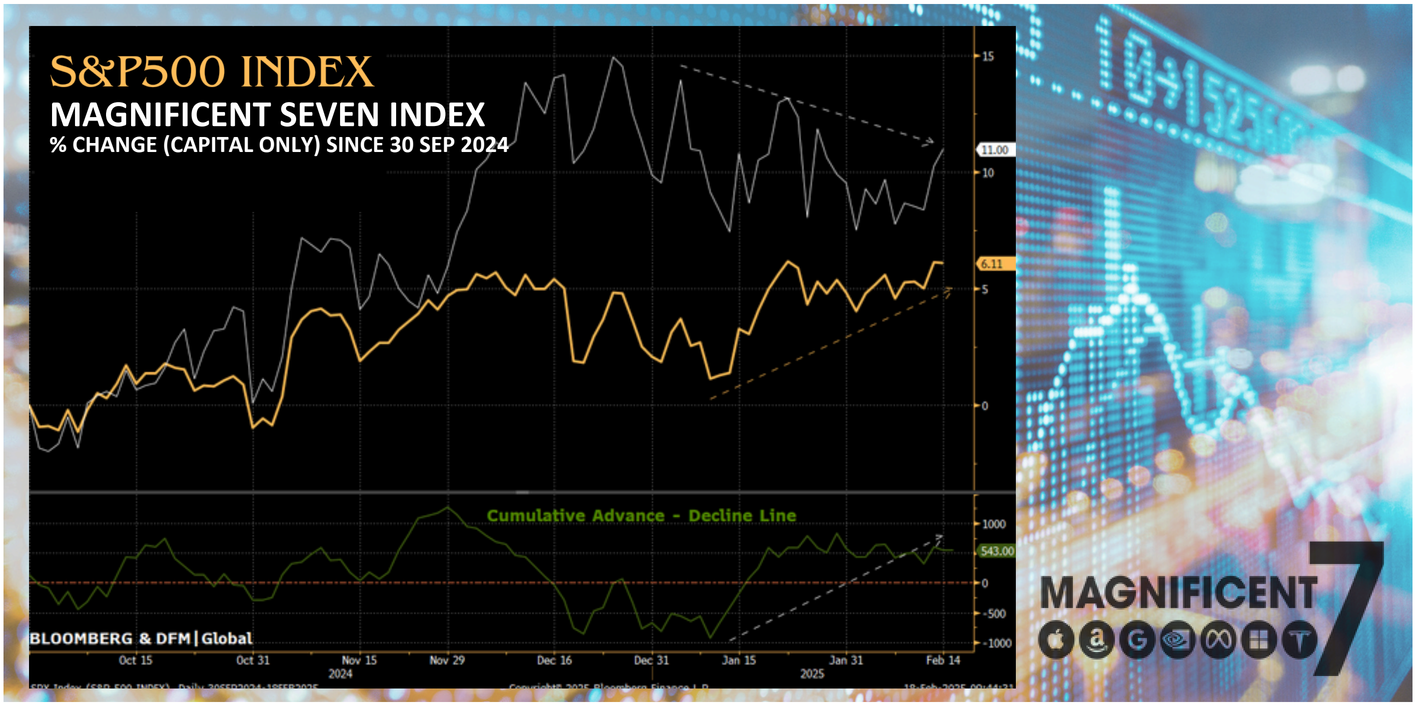
BALANCE BEATS MOMENTUM

This doesn't mean you should avoid the Magnificent Seven entirely. They will almost certainly continue to play an over-sized role in the economy and markets. But if you're relying too heavily on them for your financial future, you may be taking on more risk than you realise.

A well-balanced portfolio spreads risk across different industries, asset types and regions. That way, if one sector of the market stumbles, you're not left exposed. Investing isn't about reacting to what's hot today, it's about making sure your wealth supports you tomorrow.

FINAL THOUGHTS

Markets go through cycles. The stocks that led one year, aren't always the ones that lead the next. The Magnificent Seven have had an extraordinary run, but it's time for the broader market to show some growth. This has already started to emerge over the last six months and can be seen in below graph.



If your focus is on building a retirement fund that lasts, take a step back and make sure you're investing with a clear strategy, not just emotion. FOMO can be costly, but fundamentals will always matter in the long run.

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Renee is head of the Claremont office. She is a CERTIFIED FINANCIAL PLANNER® professional and a member of the Financial Planning Institute of South Africa. Renee received the prestigious SA Top Wealth Manager Award at the 2024 Krutham Top Private Banks and Wealth Manager Awards. Additionally, she was also recognised as one of SA's top three financial advisors at the 2022 Intellidex Awards. Renee has been in the financial services industry since 1998 and has worked for institutions such as TMA and Investec Asset Management. She obtained her Higher Certificate in Financial Markets in 2004 and attained her CERTIFIED FINANCIAL PLANNER® designation in 2006. Renee is fully qualified to give advice on all investment matters.

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