

## Level Set: Giga Caps, Work Riskier than PA, and "Leftover" Thoughts

**Ten Giga Caps:** Eli Lilly (LLY) eclipsed \$1 Trillion USD market cap. this week, making it the **tenth** stock in the US equity market of that size. In 2010, we wrote a note pointing out that there were thirty companies in the US equity market at that point that had eclipsed \$100 billion or larger in market cap. We did not envision then that there would be ten stocks that would eclipse \$1 Trillion fifteen years later. As such, the phrase "mega-cap" no longer seems to aptly describe these enormous stocks and separate them from "ordinary" \$50-100 billion market cap. names. Aramco and Taiwan Semiconductor (TSM) are global stocks that have also eclipsed this barrier, and Walmart (WMT), and JPMorgan (JPM) can likely reach the plateau in the next couple of years. Additionally, many think an OpenAI IPO would fetch more than a smooth "T." So, it seems we need a new name for the \$1 Trillion "club." **For now, we will refer to these \$1 Trillion market cap stocks as the "Giga Caps"** - a group that includes Nvidia (NVDA), Apple (AAPL), Microsoft (MSFT), Amazon (AMZN), Broadcom (AVGO), Alphabet (GOOGL / GOOG), Tesla (TSLA), Meta (META), Berkshire Hathaway (BRK/B, BRK/A) and Eli Lilly (LLY). We remain unconvinced that investors can use metrics like earnings revisions, valuation, forecasted growth, and valuation to pick winners from losers among this group, and hence, we advocate S&P500-benchmarked institutional investors keep close to market-weight this cohort.

**Work or personal:** For most of the last thirty years, portfolio managers have discussed ideas that they owned in their personal accounts (PAs) that they wouldn't own in their funds at work. Their logic was that the risk of some stock ideas was too extreme to own as part of the funds they managed at their jobs. They felt that the career risk if the stocks experienced 50-80% downside wasn't worth the opportunity for 500% upside. However, in their PAs, they felt that this risk was justified: Go big or go home with your PA, but not with your work fund where you are attempting to be a good steward of other people's capital. But today, this just isn't universally true anymore.

This past week, we had a conversation which confirmed our inkling that many portfolio managers today, through risk management (hopefully due in part to our consistent research on the topic over the past couple of years), own a lot of stocks in their funds that they would never own in their PAs. **In some ways, managing career risk vs. personal risk is now the complete opposite of what it used to be.** Previously, you kept your job as a portfolio manager by making sound alpha-focused decisions and then were tempted by taking a riskier position in your PA to get some upside. **That is SO 2003.** Now, profitless junk stocks can rip for months and using valuation or quality for security selection demonstrably fails for sustained periods. As such, many portfolio managers are nearly guaranteed to underperform in "risk-on" tapes unless they implement flexible and evolving risk management techniques. Take for example a SMID cap growth manager trying to beat the Russell 2000 growth index. For those who can own a diversified fund with many stocks in their fund designed for risk management, not alpha, they likely have taken positions in stocks like WULF, EOSE, APLD, IREN, or LITE, as they are all up more than 100% in the last six months, despite all being "junk," high-beta, and having more than 15% short interest - ostensibly not attractive through quality and valuation lenses. However, they probably are not tempted to buy any of those stocks in their PAs. **Relative to benchmark performance now means something different from being a good steward of capital, and the result is, you buy stuff** for work that you wouldn't in your PA. Two weeks ago an investor asked us for our list of gross margin compounders to buy them for his PA, but said the list wouldn't give him enough upside if the market kept ripping higher. That sentence would not have been uttered 20 years ago.

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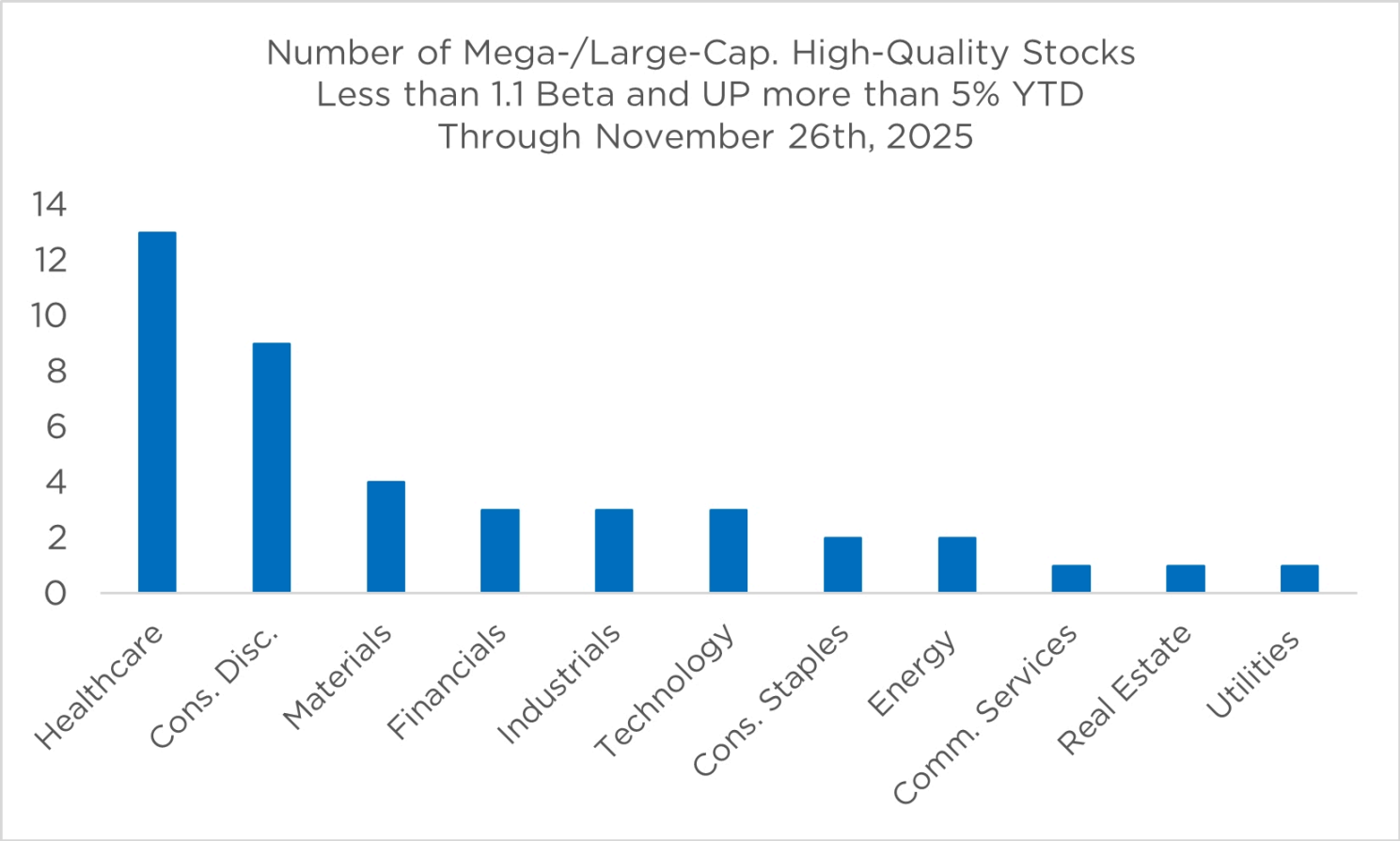
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**What is high-quality, low-beta?** Despite the fact we have written that quality hasn't added any value above and beyond size and style in some time, it is challenging not to cling to the notion that in a pull-back quality will protect capital. Our longer-term historical analysis shows high-quality and low beta outperform. We took a look at stocks that are mega-/large-cap, high-quality, with a beta less than 1.1x, and that are up at least 5% year-to-date, hoping to eliminate stocks that have been performing poorly in an up tape. Interestingly, 30% of these stocks are Healthcare and only three are Technology (see below).



Source: Trivariate Research, LP

The only Giga Caps meeting this criterion are MSFT and LLY, and there are 23 stocks between \$34 Billion and \$100 Billion that also qualify, including NEM and AEM in Metals & Mining, and FANG in Energy. There were only three Financial stocks meeting these parameters - BLK, BK, and SCHW - which is less than we would have guessed prior to the analysis.

**Mega-/Large-Cap. High-Quality Stocks**  
**Less than 1.1 Beta and UP more than 5% YTD**  
**As of November 27th, 2025**

Ticker	Name	Industry Group	Market Cap. (U\$US Bil.)
MSFT	Microsoft Corporation	Software	3608.42
LLY	Eli Lilly and Company	Pharmaceuticals	988.81
WMT	Walmart Inc.	Consumer Staples Distribution & Retail	869.84
JNJ	Johnson & Johnson	Pharmaceuticals	500.07
XOM	Exxon Mobil Corporation	Oil, Gas & Consumable Fuels	484.00
CSCO	Cisco Systems, Inc.	Communications Equipment	300.56
MRK	Merck & Co., Inc.	Pharmaceuticals	259.69
TMO	Thermo Fisher Scientific Inc.	Life Sciences Tools & Services	222.89
TJX	The TJX Companies, Inc.	Specialty Retail	170.42
SCHW	The Charles Schwab Corporation	Capital Markets	163.12
DHR	Danaher Corporation	Life Sciences Tools & Services	161.37
BLK	BlackRock, Inc.	Capital Markets	161.37
GILD	Gilead Sciences, Inc.	Biotechnology	158.20
WELL	Welltower Inc.	Health Care REITs	141.56
LOW	Lowe's Companies, Inc.	Specialty Retail	135.50
MDT	Medtronic plc	Health Care Equipment & Supplies	134.64
HCA	HCA Healthcare, Inc.	Health Care Providers & Services	117.47
MCK	McKesson Corporation	Health Care Providers & Services	109.07
PH	Parker-Hannifin Corporation	Machinery	108.71
NEM	Newmont Corporation	Metals & Mining	98.78
DUK	Duke Energy Corporation	Electric Utilities	95.99
AEM	Agnico Eagle Mines Limited	Metals & Mining	86.86
ORLY	O'Reilly Automotive, Inc.	Specialty Retail	85.69
MAR	Marriott International, Inc.	Hotels, Restaurants & Leisure	81.75
REGN	Regeneron Pharmaceuticals, Inc.	Biotechnology	80.50
BK	The Bank of New York Mellon Corporation	Capital Markets	77.68
MNST	Monster Beverage Corporation	Beverages	73.32
HLT	Hilton Worldwide Holdings Inc.	Hotels, Restaurants & Leisure	66.42
AZO	AutoZone, Inc.	Specialty Retail	66.00
ROST	Ross Stores, Inc.	Specialty Retail	57.79
EA	Electronic Arts Inc.	Entertainment	50.36
EW	Edwards Lifesciences Corporation	Health Care Equipment & Supplies	50.34
DHI	D.R. Horton, Inc.	Household Durables	45.78
AME	AMETEK, Inc.	Electrical Equipment	45.18
A	Agilent Technologies, Inc.	Life Sciences Tools & Services	43.70
INSM	Inmed Incorporated	Biotechnology	43.62
FANG	Diamondback Energy, Inc.	Oil, Gas & Consumable Fuels	42.76
YUM	Yum! Brands, Inc.	Hotels, Restaurants & Leisure	42.70
FICO	Fair Isaac Corporation	Software	42.61
VMC	Vulcan Materials Company	Construction Materials	38.99
MLM	Martin Marietta Materials, Inc.	Construction Materials	37.54
XYL	Xylem Inc.	Machinery	34.36

Source: Trivariate Research, LP

**What does the one-week recovery tell us?** The market has rallied 4.75% over the last five trading sessions, finishing less than 1% from all-time highs. Our sense from our conversations this week is people feel slightly less euphoric than the S&P500 level would otherwise indicate. All Industry Groups were up in absolute terms from market lows, with Consumer Durables & Apparel best, followed by Media & Entertainment, and Auto & Components next. Telecomm. Services have lagged, up only 1% (see below).

**S&P500 Industry Performance**

**Last 5 Trading Days**

**By Industry Group**

Sector	Performance
Consumer Durables & Apparel	12.2%
Media & Entertainment	8.8%
Auto & Components	8.8%
Transportation	6.1%
Consumer Services	5.8%
Telecomm Services	1.0%
Commercial & Professional Services	1.3%
Insurance	1.5%
Household & Personal Products	1.6%
Food, Beverages & Tobacco	2.2%

Source: Trivariate Research, LP

**But when looking at the best performing stocks in this recent rally, it is clear that Semiconductors and Housing-Related securities responded.** Intel (INTC), Analog Devices (ADI), Micron (MU), Teradyne (TER), and Broadcom (AVGO) are all up more than 16% over the last five sessions. While everyone was convinced GOOGL was awesome and META was not last week, both have performed similarly, up 10.6% and 10.0% respectively over the last five sessions. **NVDA has been the Great 8 laggard during this recovery week, down 2%, one of only 21 S&P500 stocks down since the market bottomed a week before Thanksgiving.** Is any of this supported by fundamentals? Our answer is YES - some of it is. The strength in Memory / Storage related Technology stocks is clearly fundamentally driven, both recently, and all year. **MU, Western Digital (WDC), Seagate (STX), and Sandisk (SNDK) were all up more than 13.9% in the last five days. In fact, all four are in the top FIVE best performing S&P500 stocks this year - up more than 180% since January 1<sup>st</sup>.** Many investors are thinking peak earnings could be several quarters off. In fact, over the last three months, there have been relatively far more upward than downward earnings revisions in the S&P500 across every sector (see below), led by Technology.

#### S&P500 Earnings Revisions Last 3-Months

By Sector

As of November 24th, 2025

Sector	3-month
Information Technology	12.2%
Financials	6.5%
S&P 500	5.9%
Consumer Discretionary	4.5%
Materials	3.8%
Communication Services	3.4%
Industrials	3.2%
Utilities	2.8%
Health Care	2.2%
Real Estate	2.1%
Consumer Staples	1.4%
Energy	0.1%

Source: Trivariate Research, LP

**However, the market recovery was not as simple as going back to what had worked previously.** Some of the biggest losers year-to-date have rallied since lows. Builders Firstsource (BDLR) up 18.32% in five sessions but still down 21% year-to-date, Moderna (MRNA) up 16.2% in the last week but still down 37.5% this year, and LyondellBasell (LYB) down 34% this year even with the 15.1% rally in the last five sessions are all counter-examples to this bounce-back being just a repeat of what worked previously. Chipotle Mexcian Grill (CMG), Lululemon Athletica (LULU), and Dow (DOW) are additional examples. Our take is that the market rally to new highs will be a combination of stocks where fundamentals are likely to remain reasonably robust in the first half of 2026, and where the recent sell-off may prove to be extreme relative to near-term estimate achievability. **We are recommending an underweight in Consumer Discretionary,** and correctly highlighted stocks like Sprouts Farmers Market (SFM), Target (TGT), LULU and CMG as losers this year. For years, we have been highlighting that Kohls (KSS) is an obvious loser. This past week makes us a bit nervous to be short long-term losers, with the KSS move from \$15 to \$25 the reason why. The company is likely still structurally in trouble, but remaining underweight stocks that have lagged meaningfully for years and have over 25% short interest are risky. With that in mind, below we show stocks with greater than 25% short interest that are down more than 10% in the last three months **-investors with big short positions in these names should use caution between now and year end.**

**Stocks With More than 25% Short Interest  
Down More than 10% in the Last 3 Months  
As of November 26th, 2025**

<b>Ticker</b>	<b>Name</b>	<b>Sector</b>	<b>Market Cap. (\$US BIL.)</b>
HIMS	Hims & Hers Health, Inc.	Health Care	8.74
SMR	NuScale Power Corporation	Industrials	5.30
LCID	Lucid Group, Inc.	Consumer Discretionary	4.34
MARA	MARA Holdings, Inc.	Information Technology	4.20
GRND	Grindr Inc.	Communication Services	2.39
AI	C3.ai, Inc.	Information Technology	1.95
ABR	Arbor Realty Trust, Inc.	Financials	1.77
HTZ	Hertz Global Holdings, Inc.	Industrials	1.60
VITL	Vital Farms, Inc.	Consumer Staples	1.44
ARRY	Array Technologies, Inc.	Industrials	1.14
ABCL	AbCellera Biologics Inc.	Health Care	1.09
METC	Ramaco Resources, Inc.	Materials	1.00
LENZ	LENZ Therapeutics, Inc.	Health Care	0.96
INDI	indie Semiconductor, Inc.	Information Technology	0.71

Source: Trivariate Research, LP

## CONCLUSION

We are not surprised the market has recovered, but the key dynamic for investors to track going forward is what is working under the surface. We think it is bullish that it is not just the same playbook each time investors “buy the dip.” We like Healthcare, and diversifying into the high-quality lower beta list we show in today’s work. We continue to like Semiconductors over Software, viewing that as our North Star. While we are cautious on the slowing Consumer, we like Housing-related securities and would add given the recent momentum.

## Important Disclosures

### Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Colin Cooney, Chang Ge and Ryan McGovern, responsible for the preparation of this research report certifies that: all the views expressed in this research report accurately reflect the research analyst's personal views.

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