



The Hidden Risk in Index Funds No One Talks About

Index funds *feel* safe.

That's the promise. They're simple, low cost, and easy to understand. For years, investors have been told that owning the index is one of the most reliable ways to build wealth over time.

And for a long time, that has been true.

But in today's market, that promise deserves a closer look.

Because the biggest risk in index funds right now isn't obvious. It doesn't show up in headlines. It doesn't feel dangerous.

Most investors believe that when they own an index like the S&P 500, they are spreading their money evenly across hundreds of companies. It sounds diversified, and on the surface, it is.

But the structure underneath tells a different story.

Index funds are weighted by size. The larger the company, the more of your money goes into it. As a result, a small group of very large companies now dominates the index. Today, the top 10 stocks make up roughly 40% of the S&P 500.

It's not a flaw.

It's the design.

And that design changes what you actually own.

You're not simply owning "the market." You're owning a market that has become increasingly dependent on a handful of companies. That introduces a different kind of risk—one that doesn't feel like risk while it's building.

It doesn't *feel* risky. That's why it is. This isn't new.

Markets have always gone through periods where leadership narrows and a small group of companies carry most of the gains. In the early 1970s, it was the Nifty Fifty. In the late 1990s, it was internet stocks. More recently, large technology companies focused on AI have taken on that role.

Each time, the story made sense. The companies were strong. The growth was real. The confidence felt justified.

But over time, something subtle changed.

Investors began to rely on the same names. Capital flowed into the same stocks. The market became more concentrated than it appeared on the surface.

That's the part most people miss.

When something works for a long time, people stop asking how it works. They focus on results instead of structure. That's not a flaw in thinking—it's human nature.

But it has consequences.

Because concentration doesn't feel dangerous while it's happening. It feels efficient. It feels logical. It feels safe.

Until it isn't.

Leadership eventually changes. *It always does.* And when it does, it rarely happens slowly. Capital rotates, expectations shift, and yesterday's leaders stop leading. When a large portion of the index is tied to a small number of stocks, even a modest change can have an outsized effect.

At the same time, something else is happening beneath the surface.

Many companies inside the index are being *overlooked*. These businesses may have strong cash flow, improving earnings quality, and solid balance sheets. But because they are not part of what's currently working, they carry much smaller weights in index funds.

So while investors believe they are broadly diversified, they are often more exposed to what has *already* worked—and **less exposed to what may be improving.**

That's the trade-off.

This doesn't mean index investing is broken. It simply means the structure of the market has changed in ways investors should understand.

Because not all stocks in an index are equal.

Some are priced with very high expectations. Others are quietly strengthening without much attention. Over time, that difference tends to matter more than most people expect.

This is where a more selective approach can make a difference.

Instead of owning everything based purely on size, you can focus on the underlying **quality** of the businesses themselves. That's the idea behind the **FAST Model**.

It evaluates companies within major indexes using factors that drive long-term performance—earnings quality, cash flow, and capital allocation. The goal isn't to avoid the market.

It's to see it clearly.

Because when markets become more concentrated, the difference between owning everything and owning selectively can grow wider than it appears.

And when leadership shifts—as it always does—the results between those two approaches can look *very different*.

P.S.

Most investors think they're diversified because they own an index fund.

They're not.

If nearly 40% of that index is driven by just a handful of stocks, then your portfolio rises and falls with those same names—whether you realize it or not.

That's not safety.

That's exposure.

FAST was built to cut through that. It shows you which companies are truly strong and which ones are simply being pushed higher. You don't need an accounting degree. You don't need to dig through filings.

You just need to see clearly.

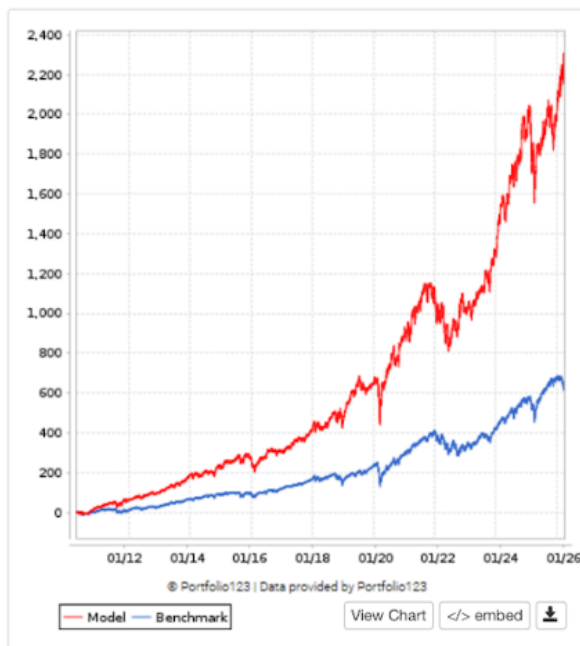
Because when the next rotation comes—and it will—it won't happen slowly. It never does.

And when it hits, broad exposure won't protect you.

Because when the next rotation comes, it won't matter what the index owns.

It will matter what you own inside it.

Since April 2010 the top eight stocks in the *FAST Model* have returned 2,240% compared with 635% for the S&P 500.



General Info		PDF Report	⚙️
Total Market Value (inc. Cash)	2,340,900.09		
Cash	-15,950.19		
Number of Positions	8		
Last Trades (2)	03/30/26		
Period	04/01/10 - 03/31/26		
Sizing Method	Static Weight		
Next Rebalance (Every Week)	04/04/26	In 3 Days	
Mode	Manual		
PIT Method - Prelim	Use		
Benchmark	S&P 500 (SPY:USA)		
Universe	S&P1500 CompositeCap (IVV+IJH+IJR)		
Ranking System	FAST Ranking		
Quick Stats as of 3/31/2026			
Total Return	2,240.90%		
Benchmark Return	634.82%		
Active Return	1,606.08%		
Annualized Return	21.77%		
Annual Turnover	1,301.61%		
Max Drawdown	-30.94%		
Benchmark Max Drawdown	-33.72%		
Overall Winners	(1017/1677) 60.00%		
Sharpe Ratio	1.21		
Correlation with S&P 500 (SPY:USA)	0.81		

To learn more about the *FAST Model* and *FAST Profits*, use the following link <https://hsdent.com/product/fast-profit/>

DISCLAIMER:

THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATIONAL PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE. Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and **should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.** HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.

THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED. HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have **NOT been tracked or verified**, past performance is not necessarily indicative of future results, and the results presented in this communication are **NOT TYPICAL**. Actual results will vary significantly due to factors such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.

HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER. Neither HSD Publishing nor its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, state securities or regulatory authority, or self-regulatory organization.

WE MAY HOLD THE SECURITIES DISCUSSED. HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing serves solely as the marketing arm for John Del Vecchio – who provides research to HSD Publishing via Parabolix Research, Inc.-- and Unbounded Wealth.

© 2026 HSD PUBLISHING. ALL RIGHTS RESERVED. 15016 Mountain Creek Trail, Frisco, TX 77573.