# THE AGONY & THE ECSTASY • EMEA EDITION

***The risks and rewards of a concentrated stock position***

There are many ways to build wealth. Many of the world's most successful investors and families have amassed their fortunes through a concentrated stake in a single, outperforming asset—be it a successful business, a standout stock or a transformative investment that capitalised on a major economic shift.

However, the same concentration that built wealth can also dismantle it. Industries evolve, and creative disruption is relentless. This means it's not just what you own that matters, but also how the world changes around it.

Every few years, we update our analysis on the risks and rewards of concentrated wealth to reflect what we have learned about event risk.[1] In this edition, we take a three-part approach:

1. A history of the U.K. stock market, highlighting how even leading companies can suffer significant losses.
2. Case studies across the United Kingdom and Europe, examining sector evolution through successes and setbacks.
3. Strategies and tools for managing concentrated shareholdings.

*...But how likely is it to invest in a 'losing' company? History suggests the risks are high.*

*Over the past 40 years, more than 40% of U.K. stocks have suffered a catastrophic loss—falling 70% or more from their peak and never recovering...*

**The key finding: Discipline, awareness and diversification are essential. Ultimately, it hinges on your vision for the future: *What are your goals?*** Whether it's retirement, family, charitable causes or legacy, understanding the purpose of your wealth is crucial to effective planning.

## 1 THE ROOTS OF RISK: LESSONS IN BUSINESS FAILURE

Behind every concentrated position lies a market in motion. *Europe's has not stood still.*

For much of the post-war period, Europe's stock markets were dominated by a handful of key sectors: banks, energy, industrials and, later, telecoms. Each was central to the economic model of the time—and to many investors, they felt permanent.

These legacy sectors remain important, but over the past two decades, much of the region's wealth creation has shifted towards more specialised businesses—from Denmark's pharmaceuticals to France's luxury goods, the Netherlands' chipmaking tools and the Nordics' clean energy. Many of these companies have become global leaders in their own right. But, as our analysis also shows, a rising tide does not lift all boats.

*Recent years have accelerated this shift.* Investors have navigated a pandemic, historic inflation, rapid interest rate hikes and cuts, U.S. regional banking stress, geopolitical conflicts and the highest U.S. tariff rates in almost a

[1] Michael Cembalest, Chairman of Market and Investment Strategy for Asset & Wealth Management, published the original 'Agony & Ecstasy' analysis in 2004, followed by updates in 2014, 2017 and 2021. Building on his work, the Wealth Management Global Investment Strategy Team released the first EMEA edition in 2022.

century. Supply chains are being restructured, while fiscal stimulus and industrial policies aim to boost Europe's competitiveness.

**Through it all, one thing is clear: Industries evolve, leadership changes and investments that once seemed safe can quickly become risky. Such risk is even greater with concentrated positions.**

## A history of the U.K. stock market

**Our analysis indicates that it is incredibly difficult to reliably anticipate event risk for individual companies.**

The U.K. market provides a compelling case study. Across decades, market leadership has shifted, with once-dominant companies fading and new ones rising. Even in mature markets—in this case, one of the world's oldest — change has been a constant.[2]

We focus on the FTSE All-Share (excluding Investment Trusts) Index, which represents around 98% of the United Kingdom's market capitalisation, and includes a diverse range of small-, mid- and large-cap companies. Our analysis spans from January 1986,[3] the earliest publicly available data, to mid-2025.

As just one illustration of the pace of change: Of the nearly 450 companies in the index before COVID-19, *over 130* have exited in the past *five years*—due to mergers and acquisitions, bankruptcies, delistings or moves to list abroad (especially to the United States). Others have suffered sharp market cap declines that have dropped them from the index (though even the pool of smaller companies continues to shrink).[4]

*Nearly half* of these exits have occurred since our last update in late 2022, in an environment marked by sticky inflation, higher interest rates, geopolitical tensions and rapid industry shifts that have raised the bar for survival. Meanwhile, the IPO market—where new companies would normally replenish the index—has been subdued.[5]

**But how likely is it to invest in a 'losing' company? *History suggests the risks are high*:**

- Over 40% of shares in the index suffered a catastrophic loss in our analysis—falling 70% or more from their peak and never recovering.[6]
- More than 60% underperformed the index, and around 40% delivered negative lifetime returns.
- On the other hand, just over 10% were 'megawinners', outperforming the index by over 500%. In short, few stocks have reached the top and stayed there.

These outcomes extend beyond individual companies, illustrating how entire sectors can rise, mature and fall out of favour. High rates of catastrophic loss across industries highlight the risks of concentrated positions amid structural change. In energy and consumer discretionary, roughly 50% of stocks suffered near-total value destruction. In technology, this figure jumps to almost 70%—a stark reminder that innovation produces both standout winners and widespread failures. Even healthcare, often considered defensive, saw more than 45% of

[2] The London Stock Exchange (LSE) traces its origins to 1698, making it one of the oldest stock exchanges globally.
[3] While the index excluding Investment Trusts dates to 1986, the FTSE All-Share Index—including Investment Trusts—goes back to 1962.
[4] Company counts in the index are based on data sourced from Bloomberg Finance L.P. as of June 2025. Additionally, Bloomberg, in a proprietary December 2024 data compilation, reports that the London stock market has contracted at the fastest pace in over a decade, driven by takeovers and company exits. Peel Hunt (2023) notes that FTSE small-cap companies have been particularly affected by these exits, whilst FTSE Russell methodology confirms that firms are removed from the FTSE All-Share Index when their market value falls below eligibility thresholds.
[5] The first half of 2025 was the worst start to the year for London IPOs since 1997, and for Europe, its weakest first half in more than a decade, according to data compiled by Bloomberg Finance L.P. and cited in a July 2025 article.
[6] A catastrophic price loss is defined as a decline of 70% or more in a company's stock from its peak to its lowest point, with the stock remaining at least 60% below its peak either through the end of the analysis period or its most recent trading date.

stocks end in catastrophic loss.[7] Utilities were the exception, with fewer than 10% of companies experiencing severe declines.

Notably, over 80% of catastrophic losses occurred in small-cap companies, where adapting business models is often slower and resilience harder to achieve—a crucial consideration for business owners and executives.

**Finally, catastrophic loss rarely happens overnight.**

For the median U.K. company, it took *more than five years* to fall from its peak to its lowest point, making wealth erosion a prolonged and painful process. *But how likely is recovery?* History suggests it's challenging. Of the U.K. companies we determined to have suffered catastrophic losses in our last edition in 2022, just over 40 have since staged a 'comeback' and escaped our definition of catastrophic loss.[8] Remarkably, *just one* U.K. company—Rolls-Royce—erased *all* its losses, reached *new* highs, *and* even achieved 'megawinner' status.

**A 40-year analysis of the U.K. stock market**
FTSE All-Share ex-Investment Trusts Index, 1986–2025

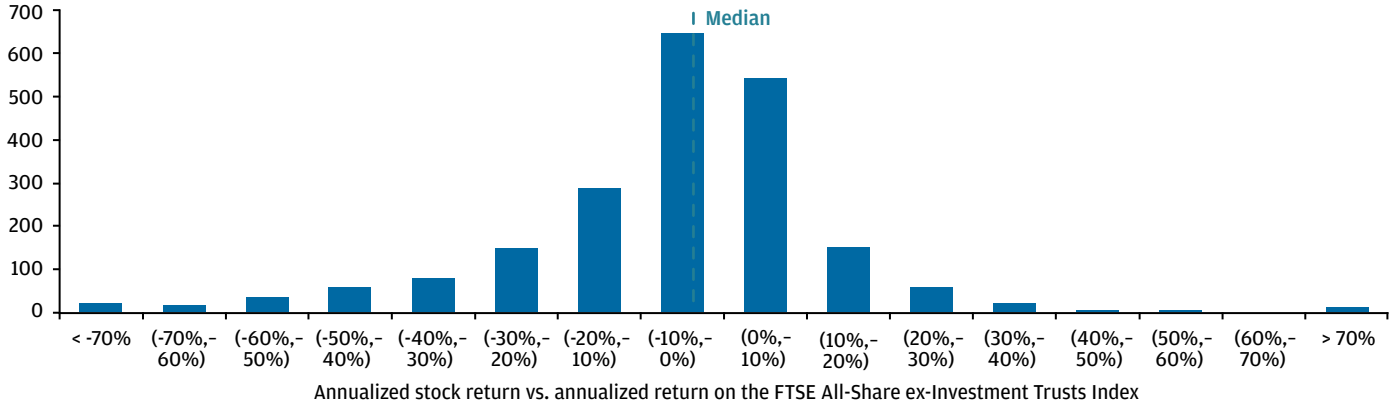
| Sector | % stocks catastrophic loss | % stocks negative absolute return | % stocks negative excess returns vs Index | % of stocks megawinners |
|---|---|---|---|---|
| **All** | **41%** | **40%** | **62%** | **11%** |
| Information Technology | 68% | 52% | 68% | 8% |
| Energy | 51% | 53% | 68% | 6% |
| Consumer Discretionary | 49% | 48% | 67% | 8% |
| Health Care | 46% | 44% | 60% | 12% |
| Communication Services | 42% | 35% | 51% | 15% |
| Real Estate | 41% | 48% | 72% | 7% |
| Industrials | 36% | 33% | 59% | 15% |
| Materials | 35% | 36% | 65% | 11% |
| Financials | 33% | 40% | 60% | 12% |
| Consumer Staples | 24% | 25% | 59% | 14% |
| Utilities | 6% | 6% | 15% | 8% |

Source: FTSE Russell, FactSet, Bloomberg Finance L.P., London Stock Exchange, J.P. Morgan Private Bank. Data as of June 2025.

| Market cap | % market cap catastrophic loss | % total stocks catastrophic loss |
|---|---|---|
| Small | 44% | 83% |
| Mid | 30% | 12% |
| Large | 28% | 4% |

Source: FTSE Russell, FactSet, J.P. Morgan Private Bank. Data as of June 2025.
Note: Market values are measured at their peak. Large cap companies are defined by a market value above $10 billion, small caps below $2 billion, and mid caps between $2 billion and $10 billion. Approximately 14 companies have inaccessible market value data.

**Distribution of excess lifetime returns on individual stocks vs. FTSE All-Share ex-Investment Trusts Index, 1986-2025**
Number of stocks




Source: FTSE Russell, FactSet, J.P. Morgan Private Bank, London Stock Exchange. Data as of June 2025.

[7] Recent challenges in healthcare equities are not confined to the United Kingdom. For a detailed analysis of similar issues affecting U.S. healthcare stocks—including regulatory, pricing and policy pressures—see Michael Cembalest, 'Sick as a Dog: The Cheapness of US Healthcare Stocks, and the Battle Over Publicly Funded Science Research', J.P. Morgan Asset & Wealth Management, 12 August 2025.
[8] A comeback is defined as a company that was previously categorized as having a catastrophic price loss—its stock fell by 70% or more from its peak and remained at least 60% below that peak—but has since recovered so that its stock price is no longer 60% below its peak. This status indicates notable recovery, even if the company has not fully regained its previous losses.

# 2 CYCLES OF CHANGE: CASE STUDIES IN INDUSTRY EVOLUTION

## What causes a business to fail?

Hindsight is 20/20. The causes of most catastrophic losses may seem obvious after the fact, but at a company's peak, many—management, boards, employees, and external observers such as stock analysts and credit rating agencies—often assume strong returns will continue. In reality, failures often result from factors beyond management's control, such as policy changes, regulation, commodity prices, foreign competition, innovation or shifting consumer behaviour.

These dynamics tend to repeat over time. Drawing on hundreds of case studies across four decades and five key themes in sectoral evolution, we highlight examples from the United Kingdom and Europe that illustrate the various drivers of significant and lasting stock price declines—and, more rarely, comebacks and outperformance. While these narratives point to common causes of business failure and success, other factors may be equally plausible.

## Retail's relentless reinvention

In the late 20th century, department stores and big chains dominated malls and high streets with their scale and efficiency. But as the new millennium arrived, globalisation and the digital revolution changed the landscape: e-commerce reshaped consumer spending, and leaner cost structures prompted a rethink of business strategies.

Online-only brands flourished, offering fashionable products quickly and affordably, while luxury groups adapted by mastering supply chains and transforming flagship stores into must-visit destinations. Meanwhile, mid-market chains and department stores—once-giants such as Debenhams, Laura Ashley, House of Fraser, Woolworths and BHS—struggled with rising costs, fading differentiation and declining customer loyalty.

COVID-19 sped up the shake-out. Online shopping surged, price sensitivity increased, and demands for sustainability and transparency grew, especially among younger consumers. Yet, companies overly reliant on e-commerce faced intense competition and rising digital marketing costs.

Post-lockdown champions blended online and offline channels, using AI, analytics and automation to anticipate customer needs and control costs. Physical retail did not disappear; it evolved, with savvy retailers turning stores into hubs for fulfilment and curated experiences. On London's Oxford Street, vacancy rates fell below 1% by early 2025, for the first time since before the pandemic,[9] driven by mixed-use redevelopment and the reinvention of spaces—including, in a full-circle moment, the former Debenhams building.

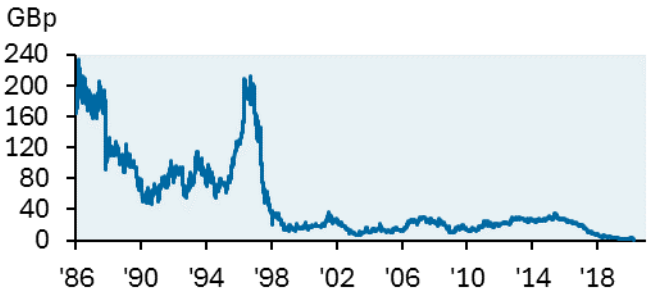
[9] Savills Research, 'Market in Minutes: Central London Retail—Q1 2025, May 2025.

## Notable catastrophic losses:

**DEBENHAMS:** Digital stumbles, too many stores, and ballooning debt cripple a high street staple—COVID slams the door

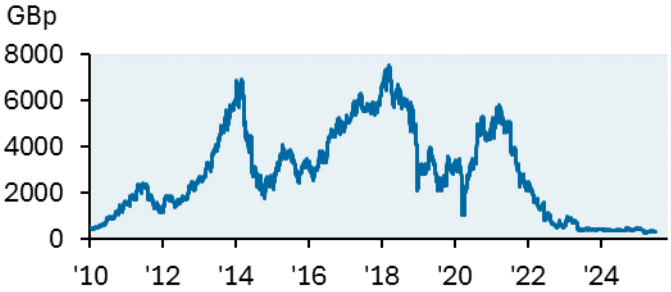

Source: FactSet. Data as of May 2019. GBp is £0.01.

**LAURA ASHLEY:** Heritage brand flatlines from ageing aesthetic, store-heavy model, and slow digital progress; later, lockdowns seal its fate



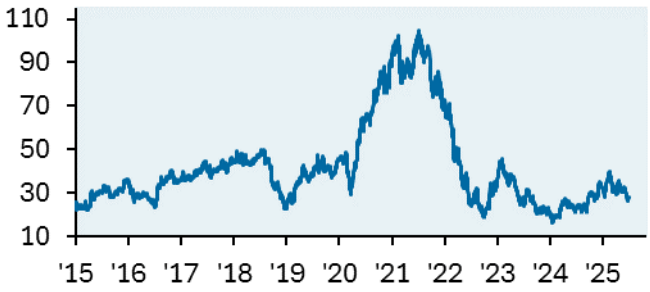

Source: FactSet. Data as of March 2020. GBp is £0.01.

**ASOS:** E-commerce trailblazer squeezed by warehouse bottlenecks, rising online and discount-driven rivals, heavy capex, and post-COVID supply chain shocks



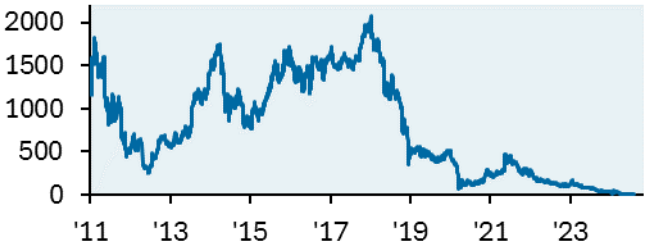

Source: FactSet. Data as of June 2025. GBp is £0.01.

**ZALANDO:** Start-up star sinks amid post-COVID demand slump, fierce new rivals, and fresh regulatory headwinds




Source: FactSet. Data as of June 2025.

**SUPERDRY:** Streetwear trendsetter hit by logo fatigue, overexpansion, online woes, US wholesale stumbles, and boardroom battles



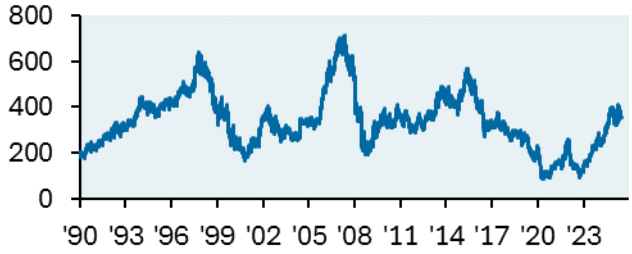

Source: FactSet. Data as of August 2024. GBp is £0.01.

**OTHER NOTABLE CASTRTOPHIC LOSSES**

- **WOOLWORTHS:** General retail/variety store
- **MADE.COM:** Online furniture retailer
- **JD SPORTS:** Sportswear and fashion retailer
- **TED BAKER**: Fashion/apparel retailer
- **BENETTON GROUP: F**ashion/apparel retailer
- **SALVATORE FERRAGAMO:** Luxury fashion/apparel
- **LASTMINUTE.COM:** Online travel and leisure booking
- **JUSTEATTAKEAWAY:** Online food delivery platform

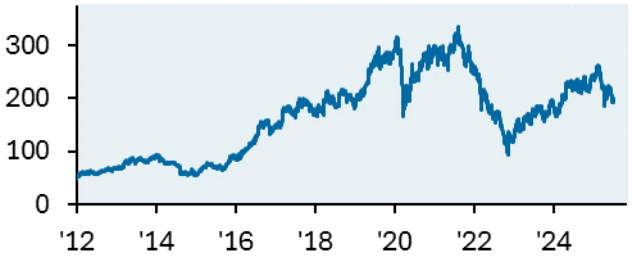
## Notable comebacks:

**MARKS & SPENCER:** British retail stalwart rebounds on brand rejuvenation, smarter stores, digital transformation, tight cost control, and sharp execution




Source: FactSet. Data as of June 2025. GBp is £0.01.

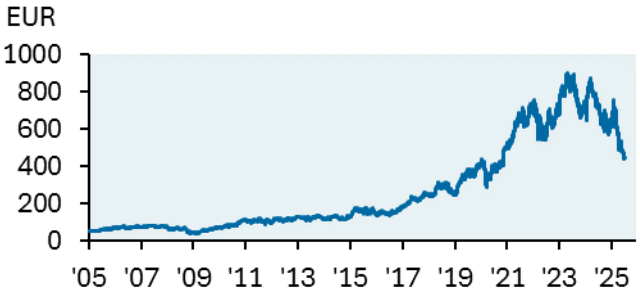
**ADIDAS:** CEO-led turnaround clears Yeezy backlog, boosts direct-to-consumer growth, revives retro classics, expands globally, and restores brand trust




Source: FactSet. Data as of June 2025.

## Notable megawinners:

**LVMH:** Luxury titan powered by iconic brands, bespoke experiences, and strategic acquisitions—*but do recent macro struggles raise warning flags?*




Source: FactSet. Data as of June 2025.

**RICHEMONT:** Prestige leader offsets watch and China weakness with jewellery power and targeted Asia growth


Source: FactSet. Data as of June 2025.

**HERMÉS:** Luxury icon powers on with craftsmanship, exclusivity, supply discipline, and a balance of innovation and heritage


Source: FactSet. Data as of June 2025.

**INDITEX:** Fast-fashion leader stays ahead with tech-driven supply chain, sharp inventory control, and seamless omnichannel reach


Source: FactSet. Data as of June 2025.

## Banking boom, bust and rebuild

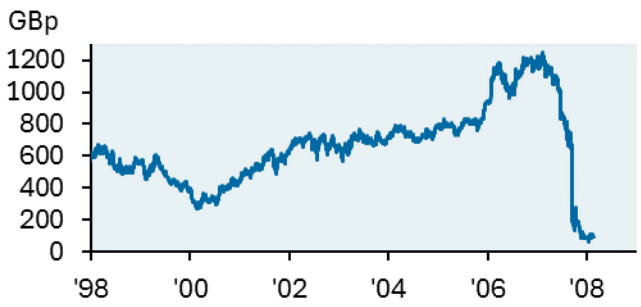
Europe's banking giants rose on a wave of deregulation—most notably the 1986 'Big Bang' reform of the London Stock Exchange—and growing market liberalisation. Rapid growth followed, but so did risk-taking and fragmented oversight, as each country pursued its own priorities and set its own rules. The momentum ended abruptly as the Global Financial Crisis and eurozone debt crisis exposed deep vulnerabilities, triggering liquidity squeezes and forcing bailouts, nationalisations and restructurings across the sector.

After 2008, many banks failed, were nationalised or merged, while survivors cut leverage, offloaded non-core assets and strengthened risk controls under stricter EU and Basel III rules. Asset managers and insurers also restructured, diversifying products and enhancing risk management.

Europe's financial sector eventually emerged stronger and more resilient. The 2023 U.S. regional banking crisis demonstrated the value of these reforms, with Europe largely avoiding similar domino-like failures. Brexit shifted some activity from London, yet the United Kingdom remains a major financial centre. Meanwhile, rapid digitisation has empowered agile incumbents and fuelled challengers—especially in fintech.

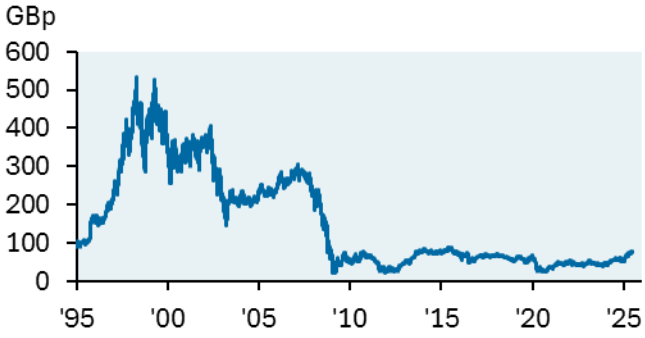
**Notable catastrophic losses:**

**NORTHERN ROCK:** GFC exposes trailblazer's risky growth and short-term funding model, triggering the first UK bank run in a century and eventual nationalisation



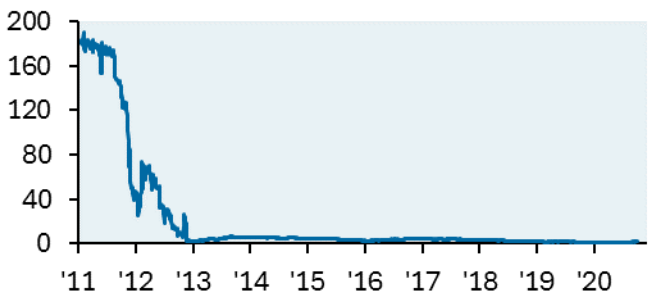

Source: FactSet. Data as of February 2008. GBp is £0.01.

**LLOYDS BANK:** Banking stalwart rescued in crisis, yet bailout scars linger



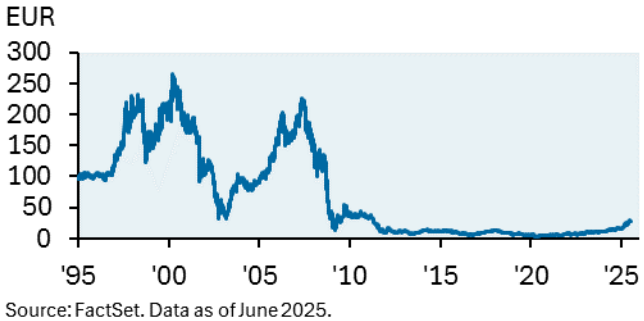

Source: FactSet. Data as of June 2025. GBp is £0.01.

**BANKIA:** Crisis-born lender hit by IPO bust, negative rates, and bad loans — ending in state-backed takeover



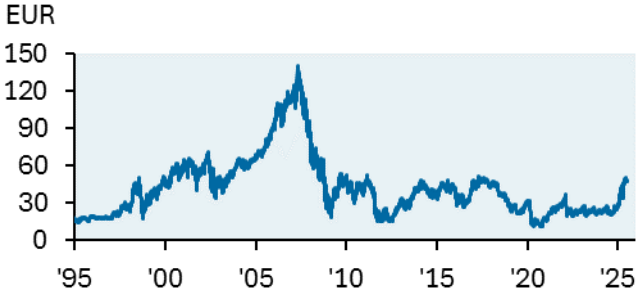

Sources: FactSet. Data as of March 2021.

**COMMERZBANK:** German bank burdened by crisis-era bailout, intense competition, low rates, failed mergers, and repeated restructuring




Source: FactSet. Data as of June 2025.

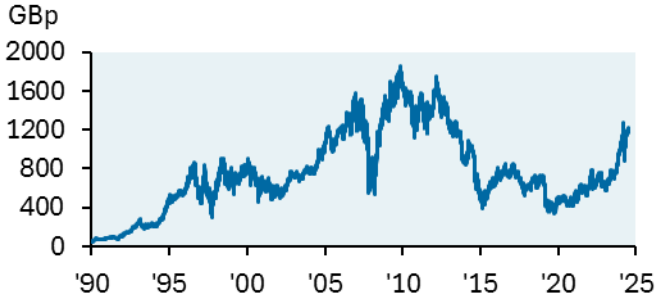
**SOCIETE GENERALE:** French heavyweight wrestles crisis fallout, debt shocks, trading scandal, and cleanup costs — *but are turnaround hopes building?*




Sources: FactSet. Data as of June 2025.

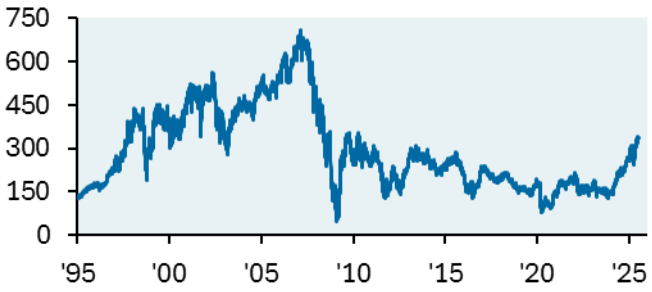
## Notable comebacks:

**STANDARD CHARTERED:** International bank rebounds from commodity slump, credit losses, and fines, with high-growth EM focus and cost discipline




Source: FactSet. Data as of June 2025. GBp is £0.01.

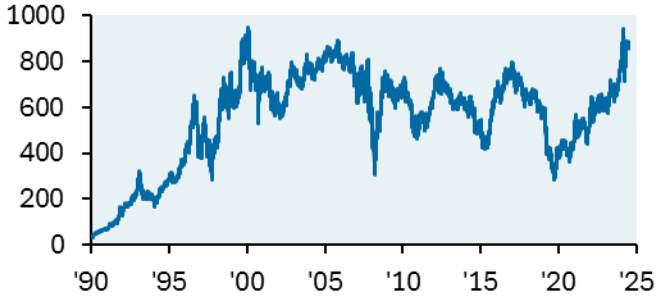
**BARCLAYS:** UK legacy rebuilds after crisis and fines, driven by investment bank muscle and restructuring




Source: FactSet. Data as of June 2025. GBp is £0.01.

## Notable megawinners:

**HSBC:** Banking giant weathers cycles with global reach, dominant Asia franchise, and capital strength




Source: FactSet. Data as of June 2025. GBp is £0.01.

## Security strained, shaken and strengthened

Lulled by post–Cold War peace and the U.S. security umbrella, European nations redirected budgets towards welfare and consumption. Globalisation and liberalisation accelerated the shift to a service-based economy, diminishing the role of traditional manufacturers and energy producers. Dependence on Russian gas and Chinese manufacturing was viewed as efficient, not risky, and defence spending reached historic lows in many countries.

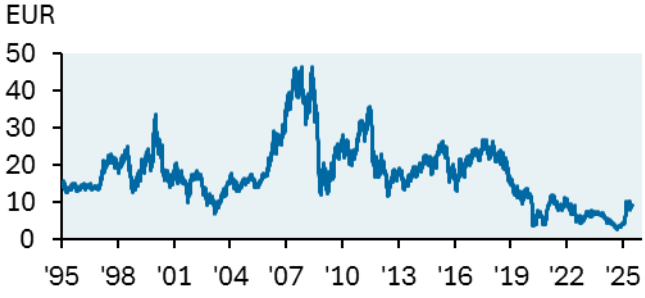
As energy and defence investment declined, cracks began to show. Ageing grids struggled with new renewable capacity, while cheap Russian gas kept bills low and benefited consumers and energy-intensive industries. But utilities and smaller suppliers, squeezed by thin margins, became increasingly vulnerable, and defence contractors languished as stockpiles dwindled.

When COVID-19 lockdowns ended, surging consumer demand strained energy supplies. Then, Russia's 2022 invasion of Ukraine and the subsequent curtailment of gas flows turned energy strain into crisis, exposing vulnerabilities in energy security and underinvestment in strategic defence stockpiles.

Europe responded with urgent reinvestment. Today, new LNG terminals, expanded pipelines and upgraded storage are reinforcing traditional supply, while renewables and grid upgrades are accelerating. Defence budgets have increased, and production lines have restarted, though capacity bottlenecks remain.

**Notable catastrophic losses:**

**THYSSENKRUPP:** German steel pillar buckles under global rivals, surging energy costs, and weak demand—leading to job cuts and asset write-downs




Source: FactSet. Data as of June 2025.

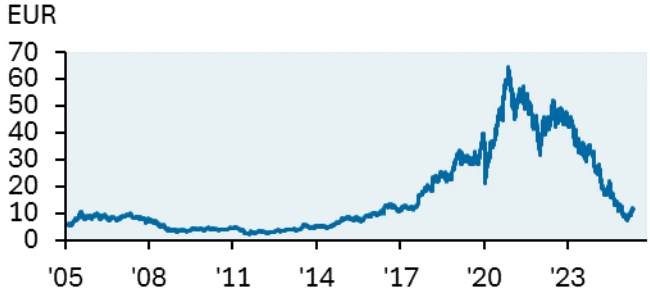
**EDF:** Energy giant renationalised after nuclear cost overruns, regulated price caps, and mounting debt


Source: FactSet. Data as of June 2023.

**ØRSTED:** Danish wind pioneer hit by US project delays, ballooning costs, credit downgrade, and policy hurdles


Source: FactSet. Data as of June 2025.

**NESTE:** Finnish renewables star squeezed by overcapacity, intense competition, soaring costs, rising debt, and shrinking margins

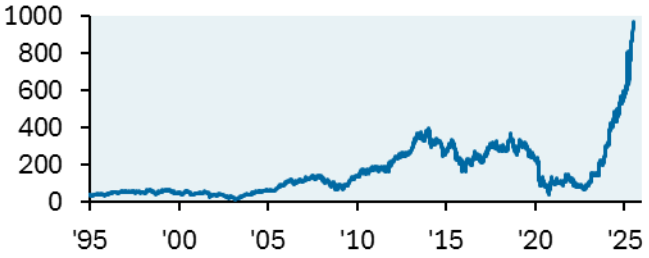



Source: FactSet. Data as of June 2025.

## Notable comebacks:

**ROLLS-ROYCE:** Engineering giant turns crisis into comeback—overcoming engine woes and debt, lifted by travel rebound, defence boom, and turnaround plan

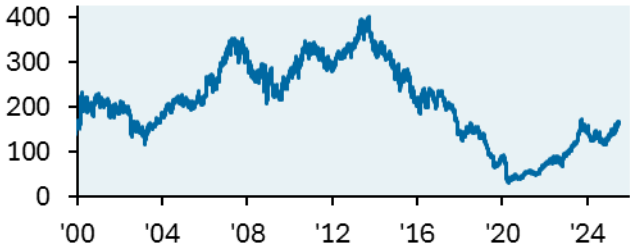
GBp




Source: FactSet. Data as of June 2025. GBp is £0.01.

**CENTRICA:** UK energy supplier powers up recovery amid energy crisis—boosted by trading gains, strategic overhaul, cost cuts, and renewables push

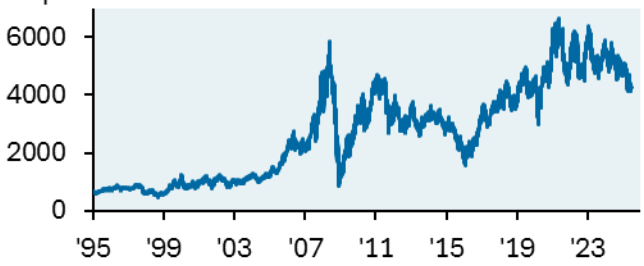
GBp




Source: FactSet. Data as of June 2025. GBp is £0.01.

**RIO TINTO:** Mining major falters on China-led downturn, reputational and debt woes—then rebounds with iron ore windfall, critical minerals push, and leaner model

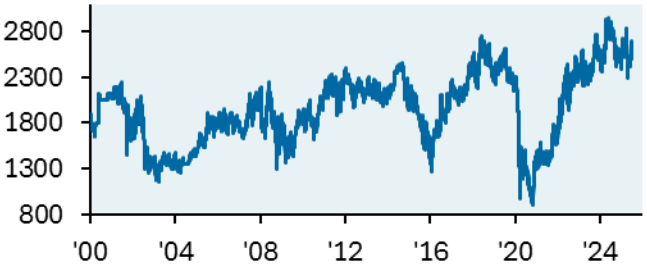
GBp




Source: FactSet. Data as of June 2025. GBp is £0.01.

**SHELL:** Supermajor rocked by oil crashes and climate scrutiny recuperates with cost cuts, asset sales, energy transition balancing act, and shareholder focus

GBp




Source: FactSet. Data as of June 2025. GBp is £0.01.

**ENEL:** Power leader rebounds from commodity swings with renewables drive and major grid upgrades

EUR


Source: FactSet. Data as of June 2025.

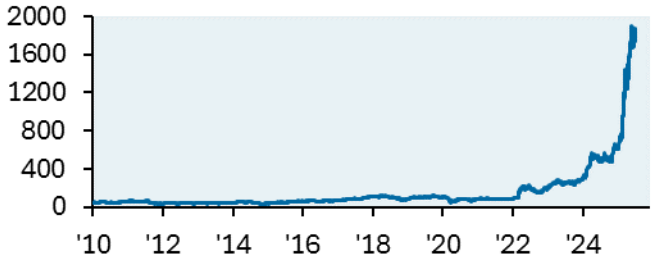
**LEONARDO:** Italian defence player transforms decline into leadership through restructuring, new tech ventures, global partnerships, and defence revival

EUR


Source: FactSet. Data as of June 2025.

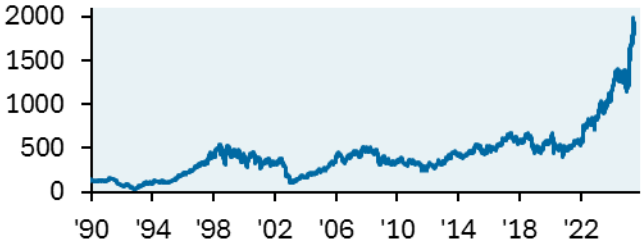
**Notable megawinners:**

**RHEINMETALL:** German arms maker rises to global defence leader on rearmament wave, innovation, strategic deals, and historic government support



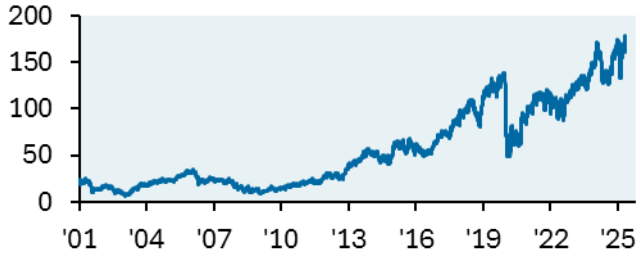

Source: FactSet. Data as of June 2025.

**BAE SYSTEMS:** UK defence major surges on security budget boom, locking in long-term deals, tech breakthroughs, and strategic partnerships



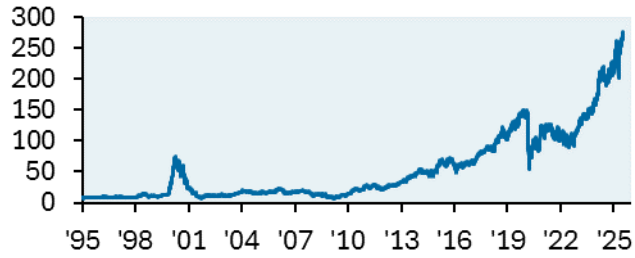

Source: FactSet. Data as of June 2025. GBp is £0.01.

**AIRBUS:** Plane maker recovers COVID slump with fleet upgrades, supply chain control, and edge over struggling rival




Source: FactSet. Data as of June 2025.

**SAFRAN:** French aerospace leader thrives on jet engine dominance, recurring service revenues, focus on innovation, and tailwinds from travel and defence




Source: FactSet. Data as of June 2025.

## Disruption is destiny for the digital economy

This story begins when the United Kingdom led the way in home computing—think Sinclair and Acorn—while the privatisation of British Telecom broke state monopolies. Europe's GSM mobile standard unified cross-country phone use, boosting global influence. Vodafone expanded internationally, and Nokia became the world's leading mobile phone maker—and even Europe's most valuable company.

But momentum faltered in the 2000s. The launch of 3G, despite its potential, saddled telecom companies with heavy debts from licence bids, delayed infrastructure and disappointing returns. Internet disruptors such as Skype eroded revenues, while the iPhone and Android overtook Europe's handset leaders. With 4G, focus shifted to apps such as WhatsApp, and EU roaming reforms eliminated lucrative fees for mobile operators.

Yet Europe still produced digital winners. Spotify redefined music, fintechs such as Revolut and Klarna challenged traditional banking, and firms such as Arm and SAP became vital players in the AI value chain. Efforts to boost European competitiveness now centre on 5G, fibre, satellites and regulations such as the Digital Markets Act and Digital Services Act, alongside proposals such as the Draghi report urging bold reforms.

## Notable catastrophic losses:

**NOKIA:** From world's top cellphone maker to smartphone casualty—undone by slow adaptation and software stumbles


Source: FactSet. Data as of June 2025.

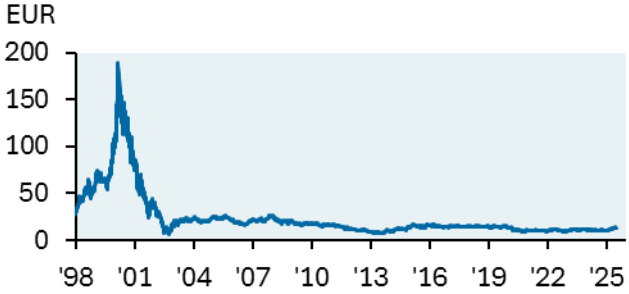
**BT GROUP:** UK telecom bellwether falters on dot-com overreach, tough regulation, costly mobile missteps, accounting scandal, and narrow domestic focus


Source: FactSet. Data as of June 2025. GBp is £0.01.

**TELEFONICA:** Legacy Spanish telecom weighed down by debt, chronically stagnant core markets, regulatory pressure, and repeated financial shocks


Source: FactSet. Data as of June 2025.

**ORANGE:** French telecom emblem buckles under debt, heavy network costs, and strict regulation—state backing offers little relief




Source: FactSet. Data as of June 2025.

**ATOS**: IT outsourcer sinks on debt-driven growth, cloud missteps, accounting shocks, and political deadlock

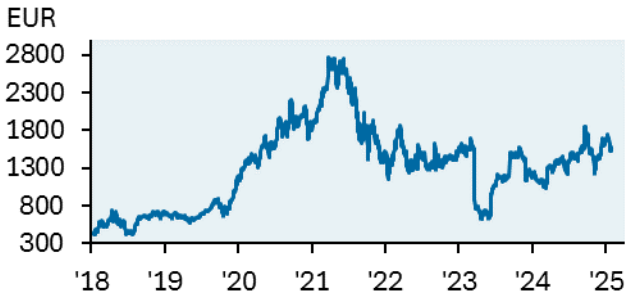

Source: FactSet. Data as of June 2025.

**TOMTOM:** Satnav pioneer undone as smartphones seize navigation, while enterprise mapping margins shrink


Source: FactSet. Data as of June 2025.

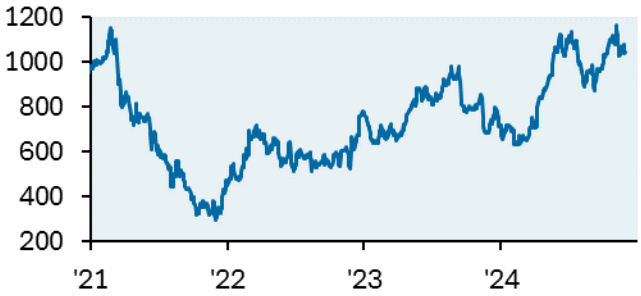
**Notable comebacks:**

**ADYEN:** All-in-one payments platform rebounds on enterprise strength, cost cuts, and global reach after overhiring and US price war




Source: FactSet. Data as of June 2025.

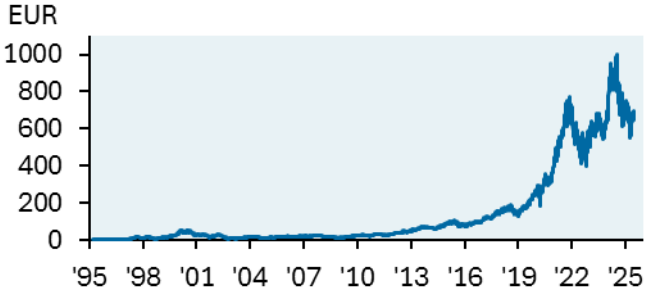
**WISE:** Fintech disrupter recovers on cost edge and embedded banking after IPO hype and CEO probe




Source: FactSet. Data as of June 2025. GBp is £0.01.

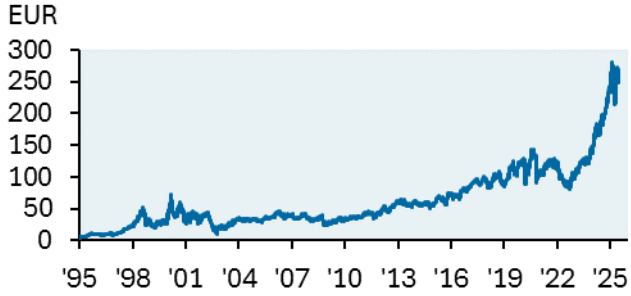
**Notable megawinners:**

**ASML:** Chipmaking gatekeeper powers ahead with unrivalled EUV tools and essential role in the global semi supply chain




Source: FactSet. Data as of June 2025.

**SAP:** Business software leader entrenched in global companies through broad platform offerings, cloud shift, and constant innovation




Source: FactSet. Data as of June 2025.

## Healthcare under stress and in transition

Once protected by state funding and steady demand, Europe's healthcare industry had to adapt as governments cut or capped budgets in the 1980s and 1990s. Survival required scale—consolidation, alliances, global expansion and early bets on biotech. Midsized firms that failed to diversify were absorbed or disappeared.

By the 2000s, power was concentrated among giants capable of mega-mergers and blockbuster R&D. Companies with narrow pipelines collapsed under generic competition or were taken over by stronger rivals. The next advantage came from specialisation. Innovators in oncology, diabetes and rare diseases surged ahead, backed by private capital and reforms, while smaller competitors struggled with rising costs and regulation.

Then came COVID-19—the ultimate unforeseen catalyst. Speed and scale became paramount. Vaccine makers and diagnostics specialists rose to prominence, demonstrating the value of rapid research and scalable biotech, while PPE and test-kit suppliers faded just as quickly.

## Notable catastrophic losses:

**BIONTECH:** Biotech leader fades fast as pandemic demand drops and endemic market normalises


Source: FactSet. Data as of June 2025.

**BAYER:** Global pharma and crop science giant turns cautionary tale after strategic blunders, costly Monsanto deal, and weak pipeline


Source: FactSet. Data as of June 2025.

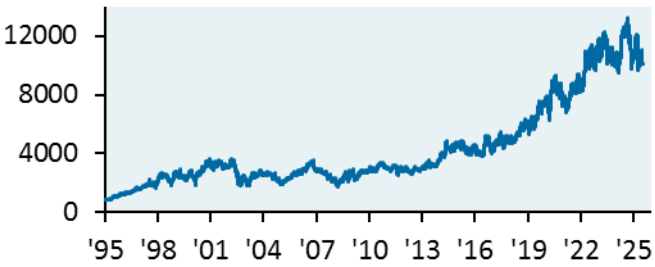
## Notable comebacks:

**QIAGEN:** Molecular diagnostics innovator navigates industry challenges by riding COVID demand and refocusing on core platforms


Source: FactSet. Data as of June 2025.

## Notable megawinners:

**ASTRAZENECA:** After vaccine rollout hurdles, surges ahead with breakthrough cancer and rare disease therapies, powered by operational excellence




Source: FactSet. Data as of June 2025. GBp is £0.01.

**NOVARTIS:** Pharma vanguard outpaces peers by doubling down on patent-protected, high-margin medicines


Source: FactSet. Data as of June 2025.

In all the narratives, one theme is inescapable: While concentrated positions from well-timed investments or successful business ventures may drive substantial wealth creation, overexposure can also increase the probability of significant losses.

**Today's winners may not be tomorrow's—a reality that can greatly complicate future planning for investors with concentrated shareholdings.**

## 3 STRATEGIES FOR MANAGING CONCENTRATED WEALTH

Every investment carries risk, but when one dominates your portfolio, it can bring unique challenges. Our analysis shows that while concentrated positions can build wealth, they also heighten the risk of major losses—leaving investors exposed to shifting market trends, company performance, industry disruptions, technological change, regulatory shifts and evolving consumer behaviour.

Managing concentrated positions is essential for long-term wealth preservation and financial security. Many investors do not intentionally concentrate their wealth in a single stock; it is, understandably, often linked to a company's success or a personal connection. Yet, separating business from personal wealth is usually prudent, even if difficult.

**In the end, it comes down to your vision for the future: What do you want your wealth to achieve?**

Start with your goals—consider lifestyle needs, philanthropic ambitions and legacy plans. Understanding what 'enough' means and your aspirations beyond your concentrated position can help you assess the risk you are willing to take.

**To manage concentrated positions, we focus on three main approaches: sell, monetise and hedge.**

### Sell the position

An outright sale is the most direct path to mitigating the idiosyncratic risks of a concentrated stock position. Sales strategies come in many shapes and sizes. Most are trade-offs between price and speed of execution.

- **Staged selling** involves creating a plan that details the quantity of shares to sell, the timeframe and qualifying price levels. The main benefit is that it may mitigate the downward pressure of selling a large position. It also helps deal with the challenge of predicting the best time to make a sale. Investors can also consider which shares will be sold; they may prefer to sell stock that has appreciated less first to mitigate taxes. 'Transaction cost analysis', measuring the price impact of each sale in the market, can be helpful. Investors should consider volume limits when trading to avoid inadvertently affecting the stock price. The best plans are well defined and committed, but also retain enough flexibility to adapt to unforeseen price swings or unplanned liquidity needs.

  Executives, board members, large shareholders and certain other insiders of U.S.-listed companies may utilise a format of a staged selling strategy referred to as a 10b5-1 plan. It is established by the insider and approved by the company when the insider/seller has no material non-public information. This phased, pre-programmed plan specifies when and how much stock may be sold, and at what price (market or limit pricing). The plan may be far less flexible than a conventional selling strategy.

Once a 10b5-1 plan is established, trades are executed within the plan at some point in the future, regardless of whether the insider/seller has material non-public information at the time of trade. The insider/seller should have no further influence over the transactions under the plan. There is a somewhat similar construct for executives and certain insiders in some international securities, which can replicate the 10b5-1 plan that is used in the United States.

- **Premium stock sales** allow an investor to sell shares at an agreed premium to the average price of a stock traded over a predetermined period. This strategy may be effective for investors who are looking to dispose of their shares in multiple transactions. While the approach can smooth out sharp price movements over time, it does introduce market timing risk.

- **Block trades** allow an investor to sell a large portion of shares quickly in the marketplace. This strategy may be effective for investors selling very large positions or significant stakes in companies with limited trading volume. One drawback: Block trades are usually conducted at a discount to the last market price.

- **Covered call options** allow an investor to sell shares while collecting an upfront premium. Some investors think of this as being paid to leave their stock positions. An investor sets an exit (strike) price, typically above the current market price, at a predetermined date in the future. If the stock rises above the strike price, the buyer can exercise the option and receive the shares at the strike price. The seller keeps the premium whether the option is exercised or not.

- **Target price selling strategies (TPSS),** also known as 'decumulators', may be useful for a client who has an exit price in mind above the current price. This sophisticated instrument allows the investor to lock into a series of daily sales at a predetermined target price, usually 5%–15% above the current price. Each day, the client will sell an equal portion of shares at the target price. If the stock appreciates above the target price, the investor is locked in to sell, and forgoes the opportunity to sell the shares for more. The strategy includes a knock-out provision: If the stock declines below a certain price and is 'knocked out' early, no additional shares will be sold.

- **Private company sales** allow an investor to dispose of shares in a company that has not yet gone public but has grown considerably in size. As new laws around the world have made it easier for companies to remain private for longer, the size of private, venture-backed companies is approaching USD 2 trillion, compared with USD 25 billion just 15 years ago. Increasingly, private companies have permitted transfers of stock for certain shareholders. The private markets remain less liquid than public markets, but may be a viable alternative for an investor who is extremely concentrated in a private company.

Of course, **taxes** are the most cited rationale for holding a concentrated position. Selling a position creates a one-time tax payment on unrealised gains. This creates 'tax drag' in the portfolio, as such investors will have fewer dollars, pounds, euros or otherwise in the market working towards their financial goals. There are various planning and investment strategies aimed at helping investors mitigate the impact of taxes by providing de-risking, monetisation or diversification without triggering an immediate taxable event.

## Monetise the position

These strategies allow a client to access the value of a concentrated position without selling it. They can generate liquidity for diversification, charitable or lifestyle goals.

- **Principal Instalment Stock Monetisation (PrISM) strategies,** also commonly referred to as 'Prepaid Collars' or 'Prepaid Variable Forwards', combine a hedge with an upfront cash advance on the hedged position. This non-recourse cash advance can be used for a variety of purposes. The investor also benefits from de-risking,

as the advance can be fully repaid by the shares in the strategy regardless of the share price at expiration. The investor may forgo upside appreciation in the shares if the stock rises above a defined upside participation limit.

- **Security-based lines of credit** allow an investor to pledge a concentrated position as collateral in a lending facility. Strategies such as this allow the investor to access capital without selling shares. Investors should be mindful that borrowing will actually increase the risk of the portfolio, and could create situations where the client must sell declining shares to meet collateral requirements.

- **Hedge and borrow** strategies can combine hedging techniques such as protective puts and collars (discussed in the next section) to stabilise collateral. Since the collateral is protected at a minimum value, a lender may offer higher levels of liquidity and lower costs than a traditional security-based line of credit. The strategy has the added benefit of mitigating the risk of having to sell shares if they decline in order to meet collateral requirements.

### Hedge the position

Hedging allows an investor to protect against downside risk in the share position without selling the holding. By retaining the position, the investor continues to receive dividends and maintain voting rights.

Importantly, most hedges can be structured in a way that does not create a taxable event, thus allowing the investor to avoid 'tax drag' and leaving pre-tax funds to compound in the investment. These are bespoke transactions, tailored to meet the investor's specific requirements in terms of size, disclosure and accounting implications when the shareholding represents a significant percentage of a company.

- **Protective puts** are a common way to guard against downside risk. The buyer of a put option pays a premium upfront for the right to sell the shares at a predetermined 'strike' price on or before the expiration date. The strategy is often compared to insurance, as losses below the strike price are guaranteed by the counterparty to the trade. Like insurance, buying put options can become expensive, since the buyer will lose the entire premium if the option is not exercised.

  The expiration date and strike price of a protective put are more art than science. Longer options are more expensive than shorter options, as the protection lasts longer. Options with higher strikes are like insurance contracts with smaller deductibles: They protect a larger portion of the position but are more expensive.

- **Protective put spreads** involve the purchase of a protective put option combined with the sale of a lower strike put option. The combined package is less expensive than the outright purchase of a protective put option, since the protection is limited, and the investor is exposed to losses below the lower put strike. This strategy has been increasingly used, as the cost of lower strike options (which the investor sells) is more expensive, on a relative basis, than higher strike options. This dynamic, referred to as skew, has always existed but has become more pronounced since the Global Financial Crisis, as financial regulation has made it more difficult for market makers to sell these deep out-of-the-money options.

- **Collars** are the most utilised strategy for hedging a concentrated position, as investors may not have the desire or ability to pay the premium on the protective put upfront, and are typically willing to sell at a higher price in the future, given the large gains they have on the position. The collar can reduce or eliminate the initial cost of the protective put in exchange for agreeing to give up potential future appreciation. In a collar, the investor purchases a protective put and sells a covered call option. The second option obligates the investor to sell shares at a strike price that is generally above the current price (or pay an amount equivalent to any upside

above such level if cash settlement is elected). The combined position reduces downside exposure and upside appreciation, thus narrowing the range of potential outcomes while the collar is in place.

- **Proxy hedges** involve using derivatives linked to a proxy asset rather than the concentrated shareholding itself. Most hedging strategies utilise derivatives tied directly to the concentrated position, but this can create selling pressure on the underlying shares. Additionally, certain shareholders, such as insiders and affiliates, may be restricted from engaging in derivatives on their own holdings. By using a proxy asset expected to share similar risks or have correlated returns, shareholders can attempt to hedge their exposures. However, these strategies will never perfectly eliminate risk, as the proxy asset may not trade in line with the concentrated share.

## J.P. MORGAN IS HERE TO HELP

Every concentrated position comes with its own set of emotional considerations, in addition to the more rational factors, such as risk and reward. That is why we encourage investors to design a plan with their teams that not only optimises investment views, transaction costs, market impacts, tax circumstances, and legal and regulatory implications, but also fits with their families' overall personal financial goals.

Our team of experts understands how to utilise these tools, and can help you and your family navigate the complexities of a concentrated shareholding in a wide variety of situations and jurisdictions across the world.

Please reach out to your J.P. Morgan team to create a diversification strategy that works for you and your family.

## ANALYSIS SOURCES

The analysis covers data through June 2025.

Price data for the historical analysis of the UK stock market and case studies of UK and European companies is sourced from FactSet. Prices are adjusted for stock splits and spin-offs, but not for cash dividends. Company categorisation—catastrophic loss, comeback, or megawinner—is determined by price returns. For UK company case studies, stock prices are presented in British pence (one-hundredth of a pound sterling).

Sector categorisations are sourced from Bloomberg Finance L.P. and FactSet. Note: sector categorisations use the Global Industry Classification Standard (GICS), a standardised system for categorising publicly traded companies into sectors, industry groups, industries, and sub-industries. Developed by MSCI and S&P Dow Jones Indices, GICS is widely used by investors, analysts, and financial professionals to compare and analyse companies across global markets. The system consists of 11 sectors.

Where available, Bloomberg GICS sector classification is used to categorise companies in the analysis; if not available, FactSet GICS is used; if neither is available, FactSet industry information is matched to the relevant GICS sector; and if no such data is available, sector classification is determined manually based on historical sources, with the assistance of J.P. Morgan's LLM Suite.

## DEFINITIONS OF INDICES AND TERMS

Note: Indices are for illustrative purposes only, are not investment products, and may not be considered for direct investment. Indices are an inherently weak predictive or comparative tool.

- A **concentrated position** is defined as a significant portion of an investor's portfolio being invested in a single stock, asset, or issuer. This lack of diversification can increase risk, as the portfolio's performance becomes heavily dependent on the value of that one holding.
- A **catastrophic price loss** is defined as a decline of 70% or more in a company's stock from its peak to its lowest point, with the stock remaining at least 60% below its peak either through the end of the analysis period or its most recent trading date.
- A **comeback stock** is defined as a company that was previously categorised as having a catastrophic price loss—its stock fell by 70% or more from its peak and remained at least 60% below that peak—but has since recovered so that its stock price is no longer 60% below its peak. This status indicates notable recovery, even if the company has not fully regained its previous losses.
- A **megawinner stock** is defined as a company whose total price return during the analysis period is at least 500% higher than the return of its relevant benchmark index. In our UK historical analysis, this benchmark is the FTSE All-Share ex Investment Trusts Index. In short, megawinners are companies that have significantly outperformed the broader market.
- The **FTSE All-Share ex Investment Trusts Index** is a stock market index that measures the performance of all eligible companies listed on the London Stock Exchange's main market, excluding investment trusts. It provides a comprehensive benchmark for UK equities by representing large, mid, and small-cap companies, but specifically omits investment trusts to focus solely on operating businesses. This index is maintained by FTSE Russell and is used by investors to track the performance of UK-listed companies without the influence of investment trust price movements.

**KEY RISKS**

**All companies referenced are shown for illustrative purposes only, and are not intended as a recommendation or endorsement by J.P. Morgan in this context.**

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- **International investments** may not be suitable for all investors. International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations. International investing can be more volatile.
- **Derivatives** may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.
- Not all **option strategies** are suitable for all investors. Certain strategies may expose investors to significant potential risks and losses. For additional risk information, please request a copy of “Characteristics and Risks of Standardized Options.” We advise investors to consult their tax advisors and legal counsel about the tax implications of these strategies. Investors are urged to carefully consider whether options or option-related products or strategies are suitable for their needs. In discussion of options and other strategies, results and risks are based solely on hypothetical examples cited; actual results and risks will vary depending on specific circumstances. Investors are urged to consider carefully whether option or option-related products in general, as well as the products or strategies discussed herein are suitable to their needs. In actual transactions, the client’s counterparty for OTC derivatives applications is JPMorgan Chase Bank, N.A. and its affiliates. For a copy of the “Characteristics and Risks of Standardized Options” booklet, please contact your J.P. Morgan Advisor.
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- Additional risk considerations exist for all strategies.

- The risks listed above are not complete. For a more comprehensive list of the risks involved with this particular product, please speak to your J.P. Morgan team.

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