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May 21, 2026 08:00 PM GMT

US Equity Strategy | North America

US Equity Strategy: Institutional 13F Positioning - 1Q26

US investors added to Energy, Industrials while reducing exposure to Financials, Comm. Services. HFs reduced large cap Tech holdings but increased small cap Tech. EMEA reduced US-based AUM while NA investors increased US investments.

AlphaWise α

- **Large Cap Shifts :** Investors increased exposure to Energy (+1.5%) and Industrials (+0.8%), while primarily reducing positions in Financials (-1.4%) and Communication Services (-0.8%).
- **Small Cap Shifts:** Similar to large caps, Energy (+1.3%) and Industrials (+0.9%) saw the largest gains, while Discretionary (-1.2%) and Healthcare (-0.6%) declined.
- **Hedge Funds:** Hedge funds also added to Energy, Industrials which was in-line with Long Only funds. HFs, however, increased small cap Tech exposure contrary to their large cap tech reduction and negative price action.
- **Healthcare Overweight in Small Caps:** Hedge funds increased their overweight in small cap Healthcare (34% of AUM vs. 18% in Russell 2000), driven by concentrated positions in biotech names.
- **Geographic Ownership Patterns:** U.S.-domiciled funds account for 81% of S&P 500 ownership. EMEA reduced US AUM (primarily in Tech) while US investors increased AUM despite negative Q1 performance.
- **Single Stock Screens:** We present 5 screens with the largest active share increases and reductions from 1Q26 versus 4Q25 holdings.
- **Long-Term Trends:** Investors (primarily Long Only) have closed the underweight to Technology stocks while Financials, Industrial overweights taper. Hedge Funds remain underweight Technology.

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13F - Quarter over Quarter

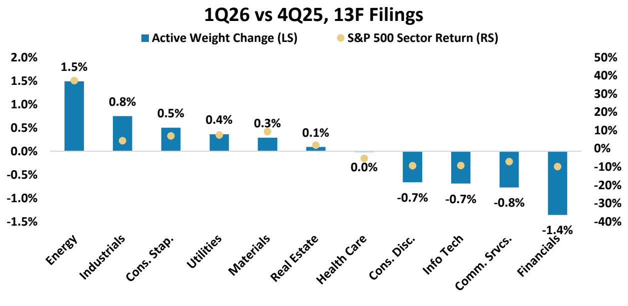
We aggregated all available 13F reports for the quarter ending March 31st, with the filing period ending May 15th. Below, we summarize our key findings to help investors assess how positioning has shifted over the last quarter. Please note that these holdings reflect positions as of March 31st, and allocations may have changed since reporting. Additionally, the majority of filers are long-only funds, with ~5% of assets represented by hedge funds. 13F data is limited to long equity positions and does not include derivative or short-side exposures. Our analysis focuses on the top 100 funds by AUM and the top 100 hedge funds by AUM.

Q1 saw investors add to Energy (+1.5%) and Industrials (+0.8%) and sell Financials (-1.4%) and Communication Services (-0.8%) (Exhibit 1). The S&P 500 fell -4.6% in Q1 with Energy (+37%) as the top sector on the back of the US/Iran conflict so it was no surprise that Energy was a top gainer in active share. The other sectors that also gained active share also saw positive returns during the quarter. Hedge funds saw a similar trend with Energy (+1.3%), Industrials (+0.9%) and Utilities (+0.3%) as the top sectors. Hedge funds also added to all sectors that saw positive Q1 returns with the exception of Staples where HFs trimmed positions by -0.4% active share. On the outflows, Hedge Funds decreased exposure to Discretionary and Healthcare more than the overall 13F population (primarily Long Only investors). Interestingly, Financials saw the greatest outflows from All 13Fs but was flat from Hedge Funds. Tech saw outflows from both groups which is in-line given the -9% return during Q1.

Small Cap positioning was similar to Large Caps with increased exposure in Energy, Industrials while decreased exposure to Discretionary, Financials (Exhibit 3). Healthcare also saw a meaningful reduction at the small cap level where Healthcare was the worst performing sector and there's a more Biotech skew to holdings. Tech is the other sector that stands out. Despite the sector's -8% decline in 1Q, hedge funds meaningfully increased exposure to small cap tech by +0.7% and diverging from the -0.2% reduction from All 13F holders (Exhibit 4).

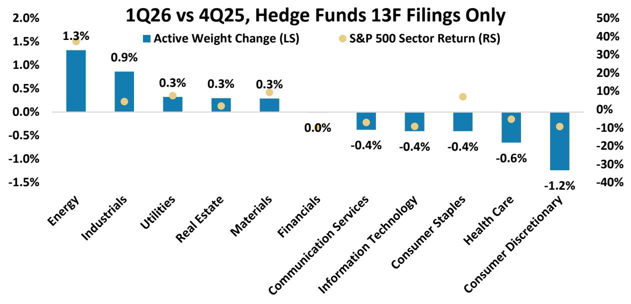
Sector allocation tends to match index weights but hedge funds are typically underweight large cap Tech and overweight small cap Biotech (Exhibit 7). Tech has remained a consistent underweight since 2017 for both the full population and hedge funds given the rapid expansion of megacap tech. Small cap allocations see a larger deviation from sector weights within the hedge fund population as small cap Healthcare makes up 34% of small cap AUM vs only an 18% weighting in the Russell 2000. This is primarily driven by small cap biotech names, which are popular among certain funds. The overexposure to Healthcare is funded by underexposures to Cyclicals (Financials, Industrials) relative to Russell 2000 sector weights.

Exhibit 1: Energy, Industrials take the majority of 1Q active share among investors



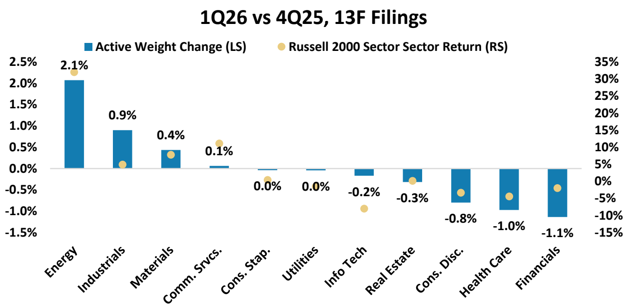
Source: FactSet, Morgan Stanley Research

Exhibit 2: Hedge funds largely added to Energy and Industrials



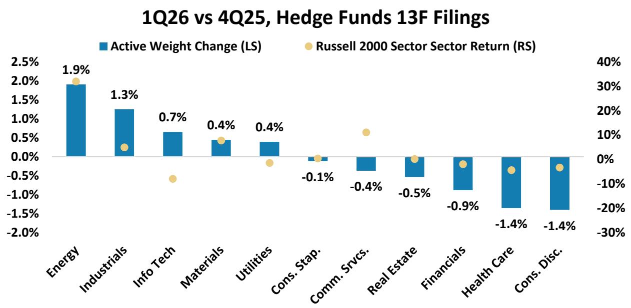
Source: FactSet, Morgan Stanley Research

Exhibit 3: Energy, Industrial exposure also rose in small caps, similar to large caps



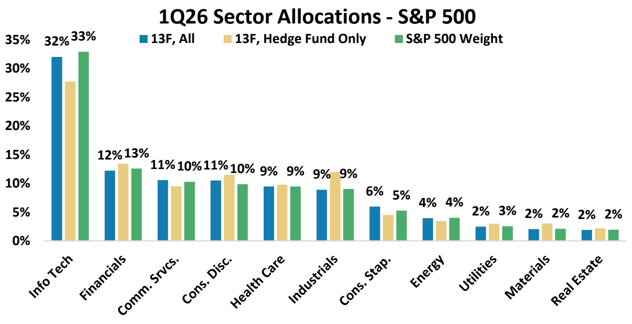
Source: FactSet, Morgan Stanley Research

Exhibit 4: Hedge Funds added to small cap Tech despite reductions at the large cap level



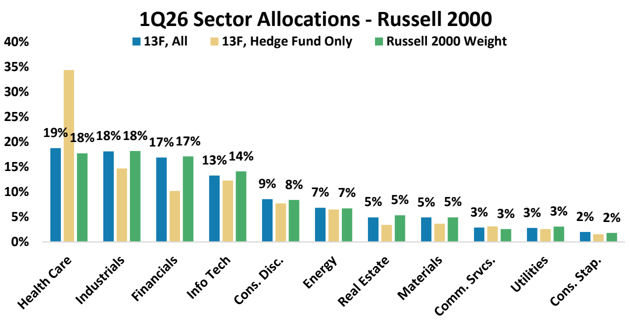
Source: FactSet, Morgan Stanley Research

Exhibit 5: Sector allocations are generally in-line with their index weight, with the exception of lower hedge fund exposure to Tech



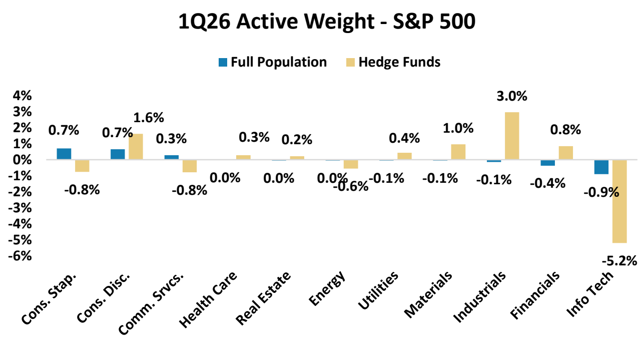
Source: FactSet, Morgan Stanley Research

Exhibit 6: Hedge funds have an outsized exposure to small cap Healthcare



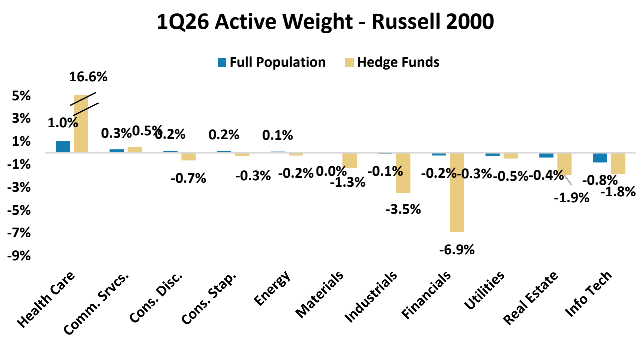
Source: FactSet, Morgan Stanley Research

Exhibit 7: Asset owners are overweight Consumer Staples, Discretionary and underweight Financials, Tech



Source: FactSet, Morgan Stanley Research

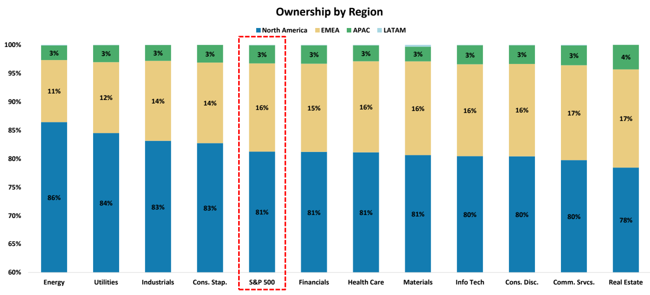
Exhibit 8: Russell 2000 active weight favors Healthcare (Biotech); Financials and Industrials are broadly underweight



Source: FactSet, Morgan Stanley Research

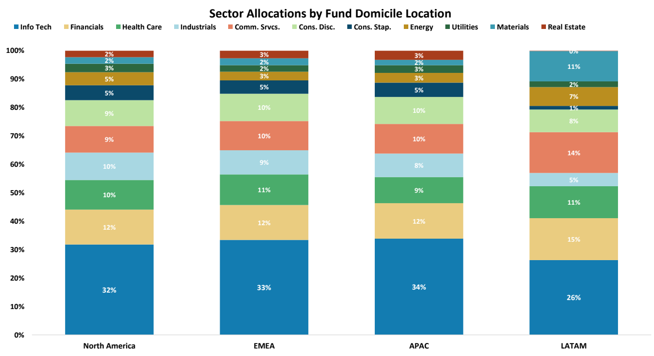
US domiciled funds drive 81% (+1% q/q) of S&P 500 ownership followed by 16% from EMEA and 3% from Asia Pacific funds (Exhibit 10). An EMEA reduction in US stocks was the biggest change of the quarter with EMEA reducing holdings of US stocks by -5% total AUM while North American investors increased exposure by 3%. Energy remains the most North America dominated sector with 86% of AUM from North America based funds while Real Estate is the most international sector with 22% of money coming from abroad. Looking at sector breakdowns by region, EMEA sees similar sector exposures to the US but with a +1% relative weighting towards Technology (down from +3% last quarter). Latam funds have the lowest exposure to US tech at 26% (+3% from last quarter) but have higher relative exposures to Materials, Financials, Energy, Communication Services and Healthcare.

Exhibit 9: US Domiciled Funds Make up 81% of S&P 500 Ownership



Source: FactSet, Morgan Stanley Research

Exhibit 10: Sector Allocation by Geographic Region



Note: Allocation from the top 100 funds per region. Source: FactSet, Morgan Stanley Research

Screens

Below we highlight some of the largest single stock changes in 1Q positioning. The broader 13F population tends to track the market closely, resulting in minimal quarter-over-quarter changes in active share. As such, we focused on changes in the top 100 hedge fund active share positions. Note this represents the largest hedge funds within our 13F population but may not represent the largest holders of that particular security. Lastly, we are focused on the *change* in active share as opposed to the absolute level. Among the largest S&P 500 names, nearly all have a negative active share relative to their index weight with the largest deltas in the top 10 names.

Screen 1: S&P 500 Megacaps

Exhibit 11: Top 25 Names by S&P 500 Market Cap

Ticker	Name	Sector	Industry Group	1Q26 vs 4Q25, HF Active Position Chg.
NVDA	NVIDIA CORP	Information Technology	Semiconductors & Semiconductor Equipment	-0.4%
AAPL	APPLE INC	Information Technology	Technology Hardware & Equipment	0.4%
MSFT	MICROSOFT CORPORATION	Information Technology	Software & Services	-1.3%
AMZN	AMAZON.COM INC	Consumer Discretionary	Consumer Discretionary Distribution & Retail	-0.6%
GOOGL	ALPHABET INC CLASS A COMMON STOCK	Communication Services	Media & Entertainment	-0.1%
AVGO	BROADCOM INC	Information Technology	Semiconductors & Semiconductor Equipment	0.1%
GOOG	ALPHABET INC CLASS C	Communication Services	Media & Entertainment	0.0%
META	META PLATFORMS INC	Communication Services	Media & Entertainment	0.1%
TSLA	TESLA INC	Consumer Discretionary	Automobiles & Components	0.0%
BRK B	BERKSHIRE CL B	Financials	Financial Services	0.1%
JPM	JPMORGAN CHASE & CO	Financials	Banks	0.2%
XOM	EXXON MOBIL CORP	Energy	Energy	0.2%
LLY	ELI LILLY & CO	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-0.1%
JNJ	JOHNSON&JOHNSON	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	0.1%
WMT	WALMART INC	Consumer Staples	Consumer Staples Distribution & Retail	-0.4%
V	VISA INC-CLASS A SHARES	Financials	Financial Services	-0.2%
COST	COSTCO WHOLESALE	Consumer Staples	Consumer Staples Distribution & Retail	0.0%
MA	MASTERCARD INCORPORATED	Financials	Financial Services	0.1%
CVX	CHEVRON CORP	Energy	Energy	0.2%
NFLX	NETFLIX INC	Communication Services	Media & Entertainment	-0.3%
ABBV	ABBVIE INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	0.0%
MU	MICRON TECHNOLOGY INC	Information Technology	Semiconductors & Semiconductor Equipment	0.2%
PG	PROCTER & GAMBLE	Consumer Staples	Household & Personal Products	-0.1%
HD	HOME DEPOT	Consumer Discretionary	Consumer Discretionary Distribution & Retail	0.0%
AMD	ADVANCED MICRO DEVICES	Information Technology	Semiconductors & Semiconductor Equipment	-0.2%

Source: FactSet, Morgan Stanley Research

Screen 2: Largest Additions

Exhibit 12: Top 25 Additions - 1Q26 vs 4Q25 within S&P 500 Names

Ticker	Name	Sector	Industry Group	1Q26 vs 4Q25, HF Active Position Chg.
DPZ	DOMINOS PIZZA INC	Consumer Discretionary	Consumer Services	11.7%
TTD	TRADE DESK INC/THE -CLASS A	Communication Services	Media & Entertainment	5.1%
WBD	WARNER BROS DISCOVERY INC	Communication Services	Media & Entertainment	5.0%
PODD	INSULET CORP	Health Care	Health Care Equipment & Services	4.7%
PPL	PPL CORP	Utilities	Utilities	4.4%
ROP	ROPER TECHNOLOGIES INC	Information Technology	Software & Services	4.1%
EFX	EQUIFAX INC	Industrials	Commercial & Professional Services	4.1%
CTRA	COTERRA ENERGY INC	Energy	Energy	4.0%
IEX	IDEX CORP	Industrials	Capital Goods	3.7%
PWR	QUANTA SVCS	Industrials	Capital Goods	3.5%
STZ	Constellation Brands Inc.	Consumer Staples	Food Beverage & Tobacco	3.2%
LII	LENNOX	Industrials	Capital Goods	2.9%
HUM	Humana Inc.	Health Care	Health Care Equipment & Services	2.8%
DDOG	DATADOG INC - CLASS A	Information Technology	Software & Services	2.7%
TER	TERADYNE INC	Information Technology	Semiconductors & Semiconductor Equipment	2.7%
HAS	HASBRO	Consumer Discretionary	Consumer Durables & Apparel	2.7%
IT	GARTNER INC	Information Technology	Software & Services	2.6%
HOLX	HOLOGIC INC	Health Care	Health Care Equipment & Services	2.6%
AIG	AMER INTL GROUP	Financials	Insurance	2.4%
HSIC	HENRY SCHEIN	Health Care	Health Care Equipment & Services	2.4%
DVN	DEVON ENERGY	Energy	Energy	2.4%
GPN	GLOBAL PAYMENTS INC	Financials	Financial Services	2.4%
HAL	HALLIBURTON CO	Energy	Energy	2.3%
EA	ELECTRONIC ARTS INC	Communication Services	Media & Entertainment	2.3%
TECH	BIO-TECHNE CORP	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	2.2%

Source: FactSet, Morgan Stanley Research

Screen 3: Largest Reductions

Exhibit 13: Top 25 Reductions - 1Q26 vs 4Q25 within S&P 500 Names

Ticker	Name	Sector	Industry Group	1Q26 vs 4Q25, HF Active Position Chg.
GDDY	GODADDY INC	Information Technology	Software & Services	-6.0%
PSKY	PARAMOUNT SKYDANCE CORP	Communication Services	Media & Entertainment	-4.9%
COHR	COHERENT CORP	Information Technology	Technology Hardware & Equipment	-4.1%
SNDK	SANDISK CORP	Information Technology	Technology Hardware & Equipment	-3.7%
TTWO	TAKE TWO	Communication Services	Media & Entertainment	-3.4%
MRNA	MODERNA INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-3.3%
CVNA	CARVANA CO	Consumer Discretionary	Consumer Discretionary Distribution & Retail	-3.1%
FISV	FISERV INC	Financials	Financial Services	-3.0%
FICO	FAIR ISAAC INC	Information Technology	Software & Services	-3.0%
ON	ON SEMICONDUCTOR CORP	Information Technology	Semiconductors & Semiconductor Equipment	-2.9%
DXCM	DEXCOM	Health Care	Health Care Equipment & Services	-2.9%
BIIB	BIOGEN INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-2.8%
IQV	IQVIA HOLDINGS INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-2.8%
NWS	NEWS CORP NEW CLASS B	Communication Services	Media & Entertainment	-2.7%
LUV	SOUTHWEST AIRLINES	Industrials	Transportation	-2.7%
OMC	OMNICOM GROUP INC	Communication Services	Media & Entertainment	-2.6%
AKAM	AKAMAI TECH	Information Technology	Software & Services	-2.6%
CIEN	CIENA CORP	Information Technology	Technology Hardware & Equipment	-2.4%
NWSA	NEWS CORP NEW CLASS A	Communication Services	Media & Entertainment	-2.3%
JKHY	JACK HENRY ASO	Financials	Financial Services	-2.2%
SJM	J M SMUCKER (NEW)	Consumer Staples	Food Beverage & Tobacco	-2.0%
FCX	FREEPORT-MCMORAN INC	Materials	Materials	-2.0%
RVTY	REVVITY INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-2.0%
FOXA	FOX CORP - CLASS A	Communication Services	Media & Entertainment	-2.0%
CPB	THE CAMPBELL'S COMPANY	Consumer Staples	Food Beverage & Tobacco	-1.9%

Source: FactSet, Morgan Stanley Research

Screen 4: Largest Additions by Sector

Exhibit 14: Top 3 Hedge Fund Additions by S&P 500 Sector

Ticker	Name	Sector	Industry Group	1Q26 vs 4Q25, HF Active Position Chg.
TTD	TRADE DESK INC/THE -CLASS A	Communication Services	Media & Entertainment	5.1%
WBD	WARNER BROS DISCOVERY INC	Communication Services	Media & Entertainment	5.0%
EA	ELECTRONIC ARTS INC	Communication Services	Media & Entertainment	2.3%
DPZ	DOMINOS PIZZA INC	Consumer Discretionary	Consumer Services	11.7%
HAS	HASBRO	Consumer Discretionary	Consumer Durables & Apparel	2.7%
YUM	YUM BRANDS INC	Consumer Discretionary	Consumer Services	2.0%
STZ	Constellation Brands Inc.	Consumer Staples	Food Beverage & Tobacco	3.2%
TGT	TARGET	Consumer Staples	Consumer Staples Distribution & Retail	2.1%
CAG	CONAGRA BRANDS INC	Consumer Staples	Food Beverage & Tobacco	2.1%
CTRA	COTERRA ENERGY INC	Energy	Energy	4.0%
DVN	DEVON ENERGY	Energy	Energy	2.4%
HAL	HALLIBURTON CO	Energy	Energy	2.3%
AIG	AMER INTL GROUP	Financials	Insurance	2.4%
GPN	GLOBAL PAYMENTS INC	Financials	Financial Services	2.4%
HOOD	ROBINHOOD MARKETS INC - A	Financials	Financial Services	1.8%
PODD	INSULET CORP	Health Care	Health Care Equipment & Services	4.7%
HUM	Humana Inc.	Health Care	Health Care Equipment & Services	2.8%
HOLX	HOLOGIC INC	Health Care	Health Care Equipment & Services	2.6%
EFX	EQUIFAX INC	Industrials	Commercial & Professional Services	4.1%
IEX	IDEX CORP	Industrials	Capital Goods	3.7%
PWR	QUANTA SVCS	Industrials	Capital Goods	3.5%
ROP	ROPER TECHNOLOGIES INC	Information Technology	Software & Services	4.1%
DDOG	DATADOG INC - CLASS A	Information Technology	Software & Services	2.7%
TER	TERADYNE INC	Information Technology	Semiconductors & Semiconductor Equipment	2.7%
DOW	DOW INC	Materials	Materials	2.2%
LYB	LYONDELLBASELL INDUSTRIES NV-CL A	Materials	Materials	2.0%
APD	AIR PRODS & CHEM	Materials	Materials	1.6%
CBRE	CBRE GROUP INC - A	Real Estate	Real Estate Management & Development	1.7%
ESS	ESSEX PROP TR	Real Estate	Equity Real Estate Investment Trusts (REITs)	1.7%
BXP	BOSTON PPTY	Real Estate	Equity Real Estate Investment Trusts (REITs)	1.6%
PPL	PPL CORP	Utilities	Utilities	4.4%
AES	AES CORP	Utilities	Utilities	1.8%
LNT	ALLIANT ENERGY CORP	Utilities	Utilities	1.4%

Source: FactSet, Morgan Stanley Research

Screen 5: Largest Reductions by Sector

Exhibit 15: Top 3 Hedge Fund Reductions by S&P 500 Sector

Ticker	Name	Sector	Industry Group	4Q vs 3Q, HF Active Position Chg.
PSKY	PARAMOUNT SKYDANCE CORP	Communication Services	Media & Entertainment	-4.9%
TTWO	TAKE TWO	Communication Services	Media & Entertainment	-3.4%
NWS	NEWS CORP NEW CLASS B	Communication Services	Media & Entertainment	-2.7%
CVNA	CARVANA CO	Consumer Discretionary	Consumer Discretionary Distribution & Retail	-3.1%
WYNN	WYNN RESORTS	Consumer Discretionary	Consumer Services	-1.9%
F	FORD MOTOR CO	Consumer Discretionary	Automobiles & Components	-1.8%
SJM	J M SMUCKER (NEW)	Consumer Staples	Food Beverage & Tobacco	-2.0%
CPB	THE CAMPBELL'S COMPANY	Consumer Staples	Food Beverage & Tobacco	-1.9%
KDP	KEURIG DR PEPPER INC	Consumer Staples	Food Beverage & Tobacco	-1.5%
SLB	SLB LTD	Energy	Energy	-1.3%
EOG	EOG RESOURCES	Energy	Energy	-0.6%
FANG	DIAMONDBACK ENERGY INC	Energy	Energy	-0.6%
FISV	FISERV INC	Financials	Financial Services	-3.0%
JKHY	JACK HENRY ASO	Financials	Financial Services	-2.2%
PYPL	PAYPAL HOLDINGS INC	Financials	Financial Services	-1.9%
MRNA	MODERNA INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-3.3%
DXCM	DEXCOM	Health Care	Health Care Equipment & Services	-2.9%
BIIB	BIOGEN INC	Health Care	Pharmaceuticals, Biotechnology & Life Sciences	-2.8%
LUV	SOUTHWEST AIRLINES	Industrials	Transportation	-2.7%
CARR	CARRIER GLOBAL CORP	Industrials	Capital Goods	-1.9%
TDG	TRANSDIGM GROUP INC	Industrials	Capital Goods	-1.7%
GDDY	GODADDY INC	Information Technology	Software & Services	-6.0%
COHR	COHERENT CORP	Information Technology	Technology Hardware & Equipment	-4.1%
SNDK	SANDISK CORP	Information Technology	Technology Hardware & Equipment	-3.7%
FCX	FREEPORT-MCMORAN INC	Materials	Materials	-2.0%
IFF	INTL FLAV & FRAG	Materials	Materials	-1.6%
PKG	PKG CORP AMER	Materials	Materials	-1.6%
PSA	PUBLIC STORAGE	Real Estate	Equity Real Estate Investment Trusts (REITs)	-0.6%
CPT	CAMDEN PROPERTY	Real Estate	Equity Real Estate Investment Trusts (REITs)	-0.5%
MAA	MID AM APT COMM	Real Estate	Equity Real Estate Investment Trusts (REITs)	-0.4%
DTE	DTE ENERGY	Utilities	Utilities	-1.2%
CMS	CMS ENERGY CORP	Utilities	Utilities	-0.9%
EIX	EDISON INTL	Utilities	Utilities	-0.8%

Source: FactSet, Morgan Stanley Research

13F Allocations - Historically

Investors (primarily Long Only) have closed the underweight to Technology stocks while Financials, Industrial overweights taper (Exhibit 17). Long only investors typically were underweight Technology names as the high concentration in megacap names made it difficult to reach equal weight given risk and size constraints. It appears that gap has been closing in the past year as the AI theme broadens into more names. It's also interesting to note that this relative overweight increased despite Tech's -9% performance in Q1, suggesting that investors were not selling their holdings despite recent downside. Hedge Funds however remain largely underweight Tech stocks per 13F filings but we reiterate that 13F filings do not include short positions, derivatives, or futures. In the last year as Tech exposures increased, investors (primarily Long Only) have meaningfully decreased exposure to Financials and Health Care. Hedge funds continue to increase their overweight to Industrials and their overweight to Consumer Discretionary remains significant, albeit much lower than a decade ago.

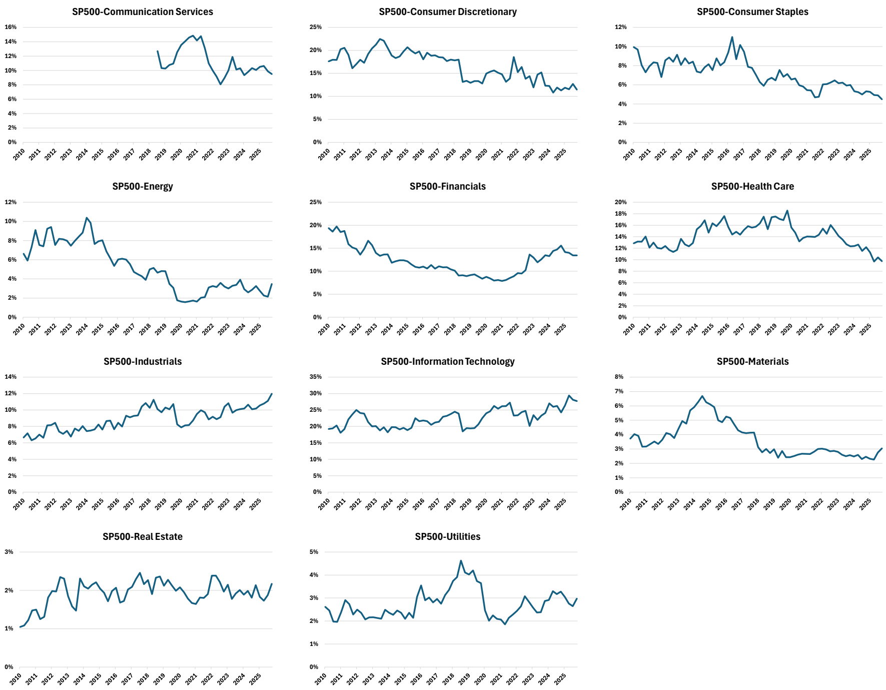
Exhibit 16: 13F Positioning Historically (primarily Long Only)- Absolute

Source: FactSet, Morgan Stanley Research

Exhibit 17: 13F Positioning Historically (primarily Long Only) - Relative to S&P 500 Weights

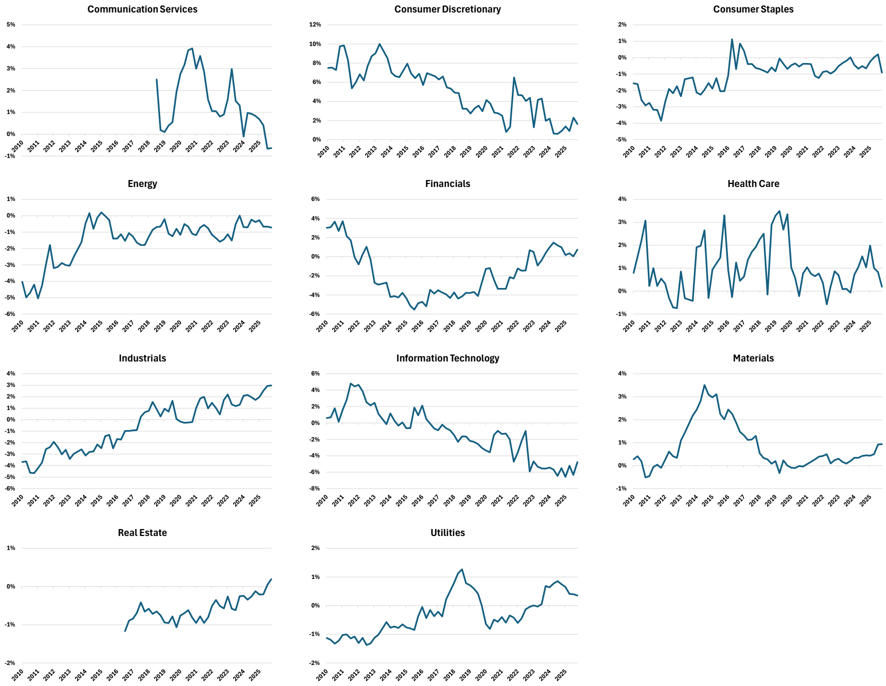
Source: FactSet, Morgan Stanley Research

Exhibit 18: 13F Hedge Fund Positioning Historically - Absolute



Source: FactSet, Morgan Stanley Research

Exhibit 19: 13F Hedge Fund Positioning Historically - Relative to S&P 500 Weights



Source: FactSet, Morgan Stanley Research

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Global Stock Ratings Distribution

(as of April 30, 2026)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1546	42%	467	51%	30%	709	44%
Equal-weight/Hold	1568	43%	358	39%	23%	715	44%
Not-Rated/Hold	4	0%	0	0%	0%	1	0%
Underweight/Sell	555	15%	84	9%	15%	202	12%
Total	3,673		909			1627	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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