RBA Quick Insights

Richard Bernstein Advisors

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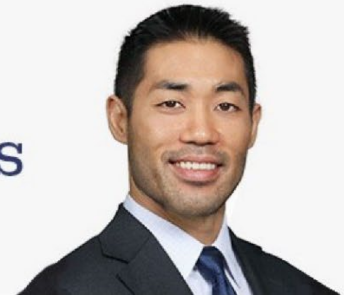


January 11th, 2024

What does a once-in-a-generation investment opportunity look like?

A look back at the best trades of the past 50 years

At RBA, we believe that we are at a major inflection point in macro fundamentals and market leadership, offering investors a once-in-a-generation opportunity to reposition portfolios. To put the magnitude of this opportunity into perspective, we have identified what we believe are the best trades of the past 50 years — those asset class, regional and sector allocation decisions that would have netted the greatest long-term outperformance. Each of these trades would have generated excess returns averaging 7-19% per year spanning periods of 8-22 years:

- **International stocks over US stocks (1967 – 1988):** The dominant US Nifty 50 large caps ceased to live up to lofty market expectations, giving way to international stock leadership, especially driven by the ascent of Japanese manufacturing efficiency (Chart 1).
- **US stocks over cash (1987 – 2000):** In the wake of the 1987 stock market crash, US stocks climbed a wall of worry until telecommunication and technology stocks took the reins beginning in the mid-1990s, while interest rates on cash continued to fall (Chart 2).
- **Energy stocks over the broad market (2000 – 2008):** The bookends of the bursting technology bubble and the financial crisis weighed on broad index returns, while strong emerging market growth caused energy demand to outstrip supply (Chart 3).
- **US stocks over cash (2009 – 2023):** Following the financial crisis, US stocks climbed another wall of worry. The prolonged period of low interest rates not only minimized cash returns but also boosted liquidity and investment demand for high growth technologies (Chart 4).

Chart 1: US vs. Int'l stocks

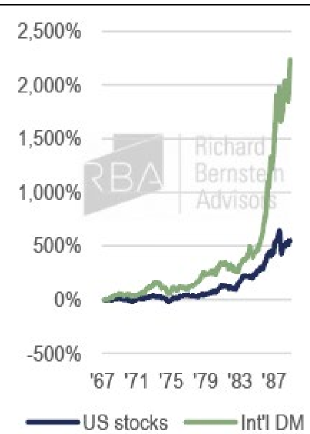


Chart 2: US stocks vs. cash

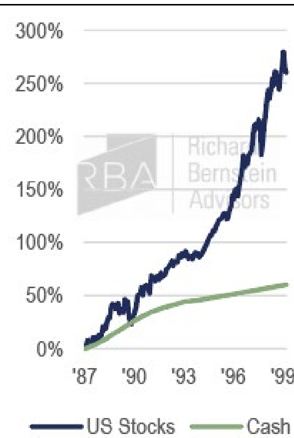
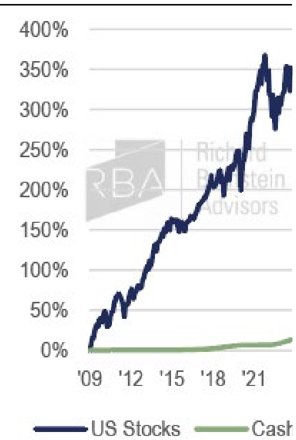


Chart 3: US stocks vs. Energy

Chart 4: US stocks vs. cash



Source: Richard Bernstein Advisors LLC, Bloomberg, MSCI, S&P, ICE BofA

Note: International developed market stock performance prior to 1970 is based on local currency monthly price returns weighted as follows: UK FTSE All-Share Index (40%); Germany DAX Index (15%); Japan Topix Index (15%); Australia ASX All Ordinaries Index (15%); Canada S&P/Toronto Stock Exchange Composite Index (15%). For comparability, we also use S&P 500® price returns prior to 1970. From 1970, all returns are based on total returns in USD, with international developed market returns based on the MSCI EAFE index. Cash returns are based on the ICE BofA US 3-month Treasury Bill Index. Energy returns are based on the S&P 500® Energy Index.