

Greek mythology is filled with tales of gods, intense battles and mystical powers. The great contest between the generation of gods -the older Titans and the younger Olympians- teaches us an important lesson: never underestimate how drastically the playing field can change, even in the most unlikely of circumstances. Against all odds, even the most powerful can fail. Not only the Greek gods, but the rulers of the equity markets too. The largest market capitalization companies repeatedly fall from grace, and investing in these stocks can mean underperformance for investors over time.



"I have this nagging feeling that we're only immortal to classics professors and huge nerds."

Some of these macro-cap companies can hold an esteemed position for an extended period of time, sometimes decades. Yet this is the exception, not the rule and the table of the ten largest market capitalization stocks in the world over the past fifty years shows this to be true. *Over this time period, not a single company has made the list in every decade.* We have seen the move from an oil-heavy weighting in the 1980s, to one dominated by Japanese companies in the 1990s, to a technology and telecommunications one in the 2000s to the rise of Chinese companies in the 2010s to the present where other than stalwart Berkshire Hathaway, new technology names now make up all of the top ten positions.

The market capitalization of these tech titans represents 17% of total market capitalization worldwide, and represents a degree of concentration that increases portfolio risk. High concentration should be a red flag for investors, and a portfolio concentrated in these companies is, statistically speaking, more likely than not to underperform over the next decade. Incredibly these ten names have contributed a staggering 40% of the global index's overall return in 2020. Investors expecting a continuation of this in 2021 will all but certainly be disappointed. So while markets are efficient and prices reflect all current and relevant information available to investors, this information can include overly-optimistic expectations for earnings growth, that may not materialize medium to long term.

Bottom line is that to do well in investing, it requires understanding the difference between the price and the value of something. Notwithstanding the fact that the biggest corporations are so ingrained in our daily lives, they are unlikely to remain so over time. The Greek Titans learned this

lesson the hard way, but you don't have to. This is why our model portfolios remain well diversified -by industry, sector, economy and geography. Our wealth management partners at **Dimensional**, **EdgePoint**, **Guardian Capital** and **Mackenzie Investments** offer best-in-class funds that avoid concentration risk and are positioned to capitalize on growth opportunities looking forward, not backward to what has done well in the past.

Be safe, be well!

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Ten Largest Market-Capitalization Stocks in the World at the Beginning of Each Year

2021	2010	2000*	1990	1980
Apple	PetroChina	Microsoft	Nippon T&T	IBM
Microsoft	Exxon Mobil	General Electric	Bank of Tokyo-Mitsubishi	AT&T
Amazon	Microsoft	NTT DoCoMo	Industrial Bank of Japan	Exxon
Alphabet	ICBC	Cisco	Sumitomo Mitsui Banking	Standard Oil
Facebook	Wal-Mart	Wal-Mart	Toyota	Schlumberger
Tencent	China Construction Bank	Intel	Fuji Bank	Shell
Tesla	BHP Billiton	Nippon T&T	Dai-ichi Kangyo Bank	Mobil
Alibaba Group	HSBC	Exxon Mobil	IBM	Atlantic Richfield
TSMC	Petrobras	Lucent Technologies	UFJ Bank	General Electric
Berkshire Hathaway	Apple	Deutsche Telekom	Exxon	Eastman Kodak

New Addition to List Drops Off List Next Period Flip-Flop: New, Then Drops

Company is: US European Emerging Markets Japanese or Australian

*Year 2000 represents holdings as of March, three months late.
Source: Research Affiliates, LLC, using data from Financial Times, Wikipedia, and Gavekal Research. Rankings shown represent beginning-of-year rankings.
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