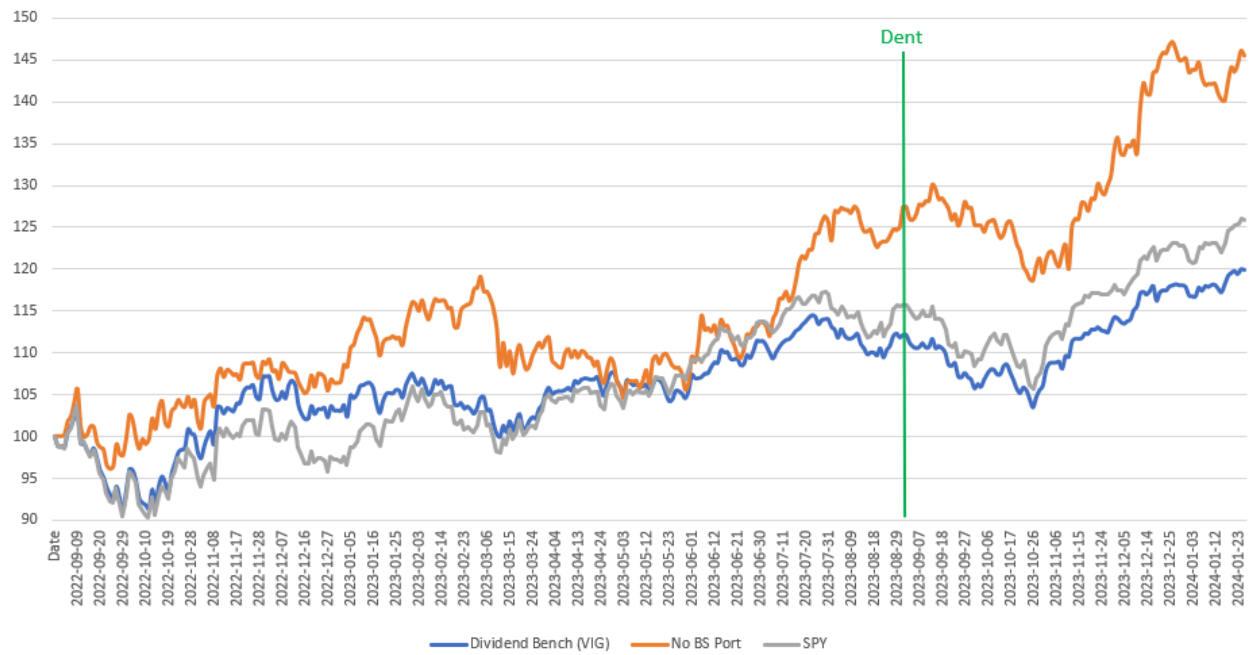
January 29, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



New Trades this week: No Trade

Current Portfolio January 29, 2024

Ticker	Name	Return	Days Held	Sector
AVT	Avnet, Inc.	-1.95%	137	Technology
CIVB	Civista Bancshares, Inc.	21.39%	81	Finance
FISI	Financial Institutions, Inc.	30.07%	74	Finance
HVT	Haverty Furniture Cos., Inc.	33.84%	256	Consumer Cyclicals
MCEM	The Monarch Cement Co.	10.00%	137	Non-Energy Materials
PSX	Phillips 66	49.23%	263	Energy
SCHL	Scholastic Corp.	0.30%	4	Consumer Services
THFF	First Financial Corp. (Indiana)	25.24%	241	Finance
VLO	Valero Energy Corp.	6.74%	102	Energy
WEYS	Weyco Group, Inc.	30.68%	74	Consumer Cyclicals

A Narrow Market = Opportunity

In the last couple of weekly issues, I noted that Microsoft, Apple, Nvidia, and Amazon represent nearly 21% of the weight of the S&P 500 and that I don't find the index as compelling as other investment opportunities.

I introduced a model to compare the traditional S&P 500 Index that uses market-cap weighting with the equal-weighted index.

This model handily outperforms the S&P 500 *and* with lower risk.

Index concentration is a concern. Plenty of stocks are lagging. I am one of many people marinating on the topic of index concentration.

This week, I saw a nifty JP Morgan chart outlining how concentrated the S&P 500 is.

Here's a few stats, and then the chart:

The top 10 stocks account for 32.1% of the index. That's higher than at any time since 1996.

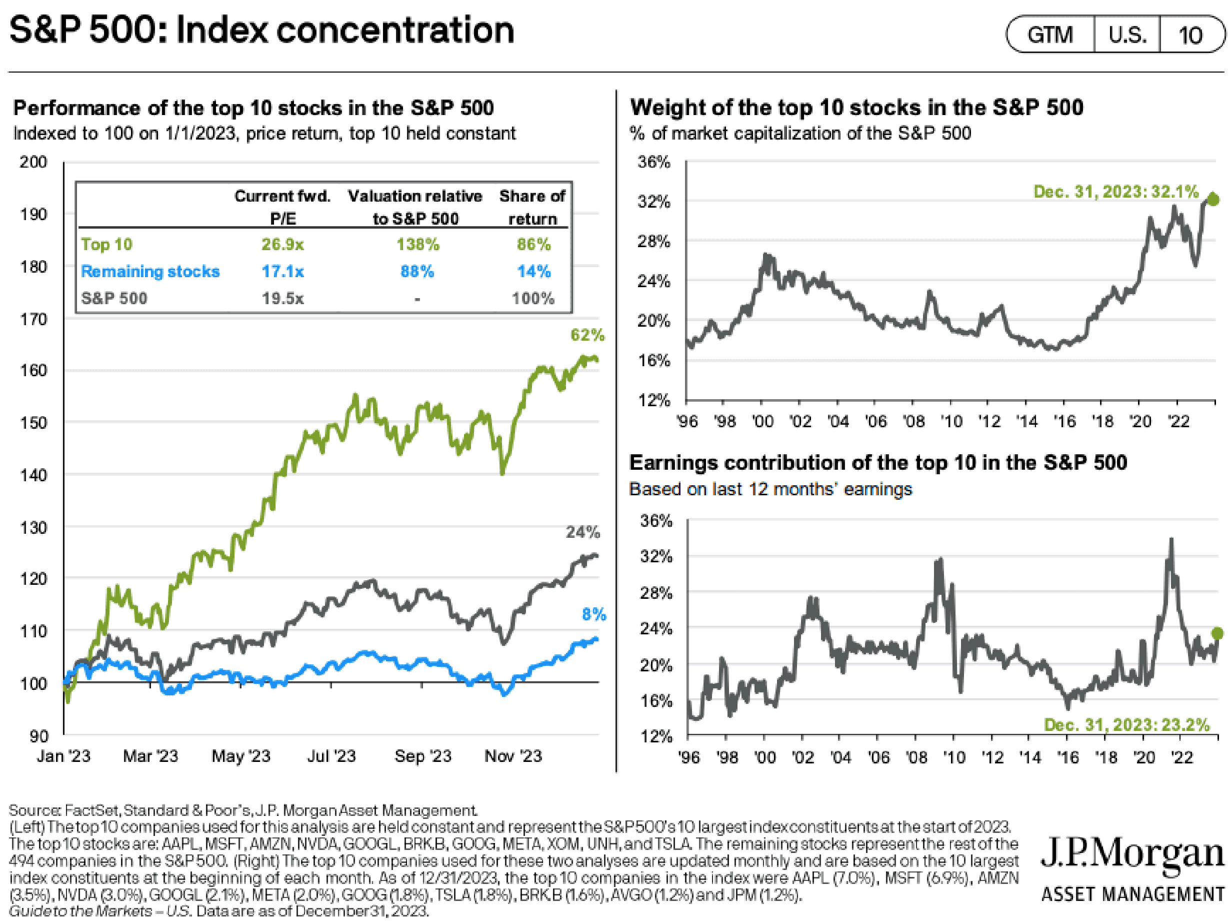
The earnings contribution of the top 10 stocks is about 23.2%, plummeting from over 30% a year ago.

The big stocks got bigger and made up more of the index but contributed less to earnings.

That's a bearish divergence.

The current price/earnings ratio of the top 10 stocks is 26.9x compared with 17.1x for the rest of the index.

Meanwhile, the top 10 stocks made up 86% of the return in 2023, while the other 490 stocks contributed just 14%.



Eventually, these vast differences between the top 10 and the rest will converge.

There's always a reversion to the mean.

As a result, I'm far more interested in the average S&P 500 stock than the massive players.

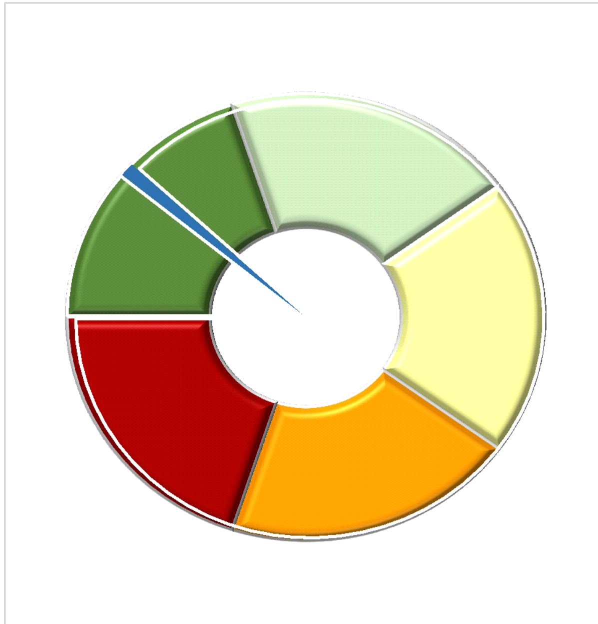
That said, I favor smaller-cap companies that are not in the S&P 500.

There is opportunity in small stocks with a narrow large-cap market.

Going small and quality is the future of massive returns!

For example, *Microcap Millions* is up 7.91% in 2024 compared with a loss of 2.48% for the benchmark index.

The *Risk-O-Meter* remains in the "green zone" this week.



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