How to Beat Lower Future Returns

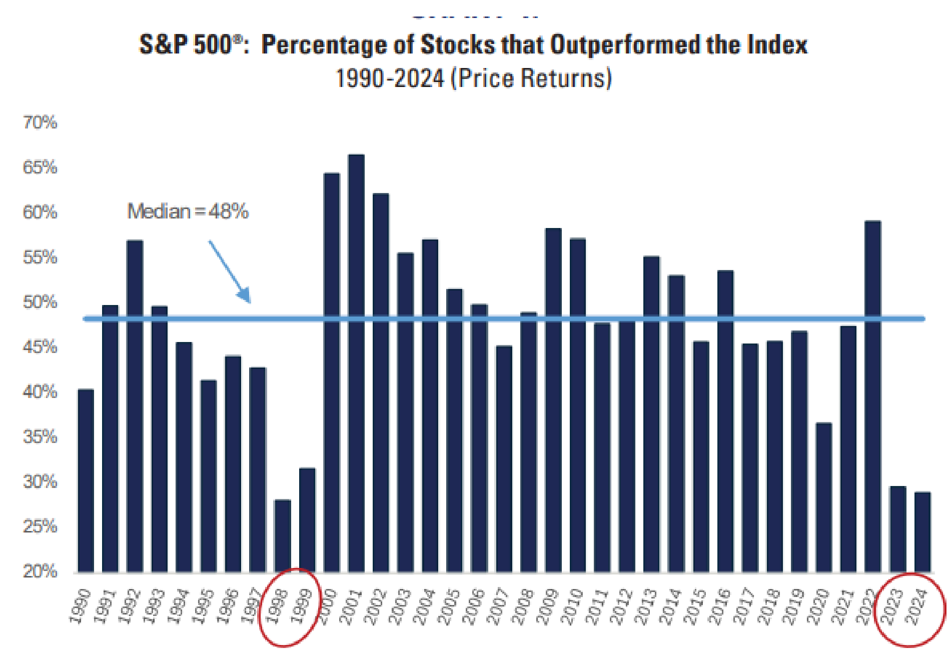
Happy Valentine's Day! I'd like you to be my Valentine by offering you a gift (not flowers!), but first…

Last year, the stock market experienced one of the *narrowest* markets on record.

What do I mean by “narrow”?

Well, the percentage of stocks that outperformed the index was ***dreadful.***

Take a look at this chart below!



Source: Richard Bernstein Advisors LLC, BofAML US Strategy

The percentage of stocks outperforming the S&P 500 was well below the median in 2023 and 2024. The last time it was this bad was in 1998 and 1999.

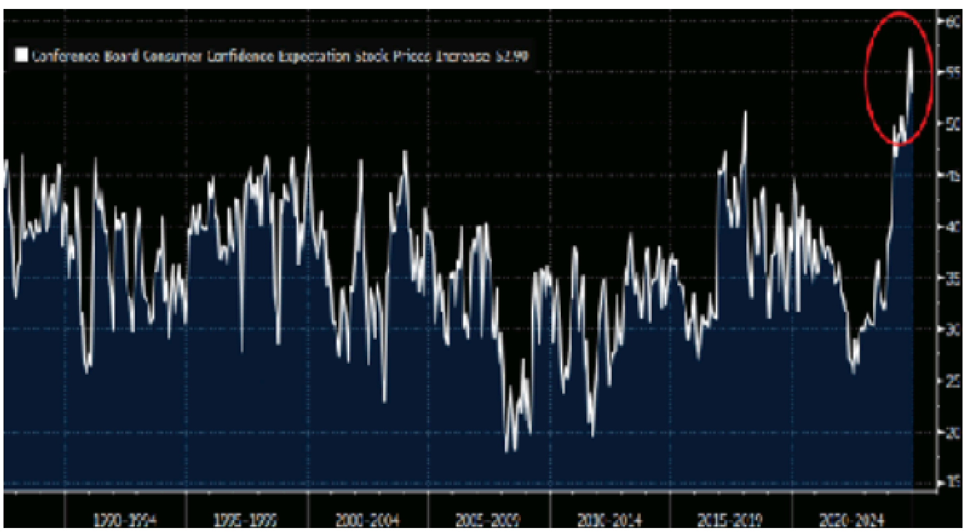
We know how that ended for market leaders. It was a horror movie with lots of blood and gore as the Internet Bubble burst, taking with it many companies that went down the drain.

Prior to that, the worst period was the fall of the Nifty 50 in the 1970s. It's a different horror story, but it has the same ending. Goldman Sachs has noted that the current narrow market is the worst since the Great Depression.

The narrow market—making it harder to beat the index—comes at a time of unprecedented investor confidence. The chart shows the *Conference Board's Consumer Confidence Survey* of future stock returns.

The last two months have never been higher in the survey's history!

Conference Board Consumer Confidence Survey: Expectation Stock Prices Increase
(Jun. 30, 1987 – Dec. 31, 2024)



Source: Bloomberg Finance L.P

What do people do when they're overly confident?! They ramp up their risky bets, of course.

The increase in portfolio beta (a bit like the portfolio's leverage and how it moves) has surged to eye-watering levels.

Top 10 GWIM Stocks, 1-YR Beta to SPX

Of course, while it's been challenging to keep up with the indexes the last couple of years, I see an opportunity to outperform going forward dramatically.

There are a lot of people leaning in one direction right now. Over time, the masses are wrong—always. We need to be contrarian and take advantage of the extremes.

Boy, are we at extremes!

The first, simplest, and easiest thing to do is to make investments that remove the market-cap bias of the big companies in the S&P 500. The top 10 companies in the S&P 500 account for about 40% of the index weight.

The Invesco Equal-Weight S&P 500 ETF (ticker: RSP) owns the 500 companies in the S&P 500 on an equal-weight basis. Thus, each company is 0.20% of the index instead of weighted by market value.

Over *long periods of time,* the equal-weighted S&P 500 has outperformed by about 0.5% annually because, as you'd expect, smaller companies have outperformed bigger companies. During periods of narrow markets, that's not typically the case, and the biggest companies have performed the best.

As historical trends revert to the mean, the smaller companies should again start to outperform.

I allocate money periodically to the broad stock market. I do it regardless of fundamentals, valuations, who runs Congress, geopolitics, or other factors. I just close my eyes and make the investment.

Why?

Because over time, one ends up rich. It's impossible to screw up. Most people don't do this. I do. I win.

The last couple of allocations I made in late 2024 and into 2025 have included RSP. So, I am taking advantage of history, mean reversion, and a bet that the dominant companies will lag after a period of outperformance. I'm also betting against the masses. Over time, I'll take that bet *every* time.

The second way to outperform would be to look beyond our shores. I've talked in the past about how foreign markets have done poorly relative to large U.S. stocks. To some extent, that value gap should narrow, and international stocks will outperform.

This also requires holding your nose a bit. Europe looks like a disaster. Of course, disaster creates opportunity. If you only invest when things are rosy, you will do poorly. I have some foreign investments. In recent months, I've also allocated to emerging market value stocks. I prefer emerging market value to Europe. I may invest in both in the future though.

The third way is to invest with an edge entirely outside the S&P 500. I've developed my own models—*The Forensic Accounting Stock Tracker (FAST)*—and those strategies have spanked the market, narrow or not.

The larger stocks, what I call *FAST Profits,* often hold some S&P 500 stocks. It generated a return of 25.72% compared with 26.18% for the market in 2023. That's a 0.46% shortfall. However, even as the narrow market continued in 2024, *Fast Profits* returned 39.99% compared with 24.89% for the market. That's a 15.10% outperformance. In 2025, *Fast Profits* is ahead of the market by 3.94% despite a tough market for individual stock pickers.

The *real* edge, though, is in microcap stocks—but not just any microcap stocks. Rather, microcap stocks that survive the *FAST* meat grinder.

I called the strategy *Microcap Millions* and created it in 2019. I relaunched it in 2021 with *Dent*, and here's the numbers below:

Performance by Calendar Year

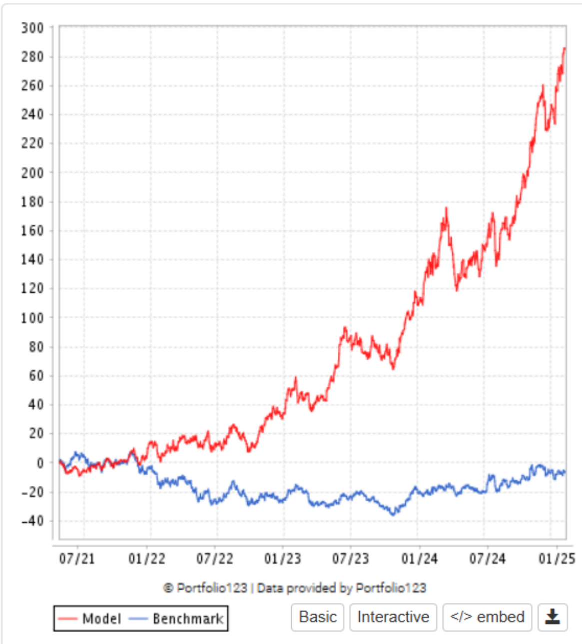
Return (%)	2021*	2022	2023	2024	2025**
Model	13.57	18.23	59.55	58.78	13.15
Benchmark	-3.90	-21.93	8.99	13.63	0.28
Excess	**17.47**	**40.17**	**50.56**	**45.16**	**12.87**

(*) From 04/23/21 (**) To 02/12/25

While *Microcap Millions* returned 284.92%, or 42.47% annually, the microcap index *lost* 6.84%.

Microcap Millions is the **best** strategy I have developed in over 25 years. It's so good, in my opinion, that only a select few can access it, and it's by invitation only.

Don't just take my word for it, though. The man himself, Harry Dent, has been investing his own money in the strategy since October 2023 and is up over 90%.



General Info

PDF Report

Total Market Value (inc. Cash)	3,849,206.18
Cash	50,087.42
Number of Positions	10
Last Trades (1)	01/21/25
Period	04/23/21 - 02/11/25
Sizing Method	Static Weight
Next Rebalance (Every Week)	02/15/25 In 3 Days
Mode	Manual
Benchmark	Russell Micro (IWC:USA)
Universe	United States (Incl. Foreign Primary)
Ranking System	Strategic Profits

Quick Stats as of 2/11/2025

Total Return	284.92%
Benchmark Return	-6.83%
Active Return	291.75%
Annualized Return	42.47%
Annual Turnover	350.66%
Max Drawdown	-20.65%
Benchmark Max Drawdown	-40.68%
Overall Winners	(83/152) 54.00%
Sharpe Ratio	1.48
Correlation with Russell Micro (IWC:USA)	0.70

And that's where I offer you an opportunity to be my Valentine.

Harry asked me to "open the books" and let a few people into *Microcap Millions*. But here's the thing: In 2025, I *tripled* the price. However, in the spirit of Valentine's Day and February 14th, I'm opening the strategy to only 14 people. And I'm rolling back the price to 2024 levels. That's 67% off! Consider it an inflation buster.

Microcap Millions is limited to preserve performance and is for winners only—people who take the bull by the horns and proactively improve their lives!

Not tire kickers.

Which are you?

Just 14 spots are available…

To learn more about *Microcap Millions*, check it out here!

[Unbounded Wealth: Microcap Millions | HSD Publishing]

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