BEATING THE MARKET 10 YEARS RUNNING

The Vanguard Group, presently the largest mutual fund provider in the world, is swift to admit that nearly 90% of large-cap money managers fail to match the performance of the S&P 500 over a ten-year period. Simply stated, passive index investing consistently outperforms active stock management. It doesn't matter who the fund groups are or where they've come from. It is irrelevant which business schools the fund managers attended or which Wall Street pedigree they tout; the results are pretty much the same, stunted.

The S&P 500 comprises the largest pool of stock market assets by far. The reasoning is straightforward; if the most informed, best educated and well capitalized individuals and institutions can't seem to outdo the benchmark averages, it makes sense to just own the S&P 500 and forget about trying to beat it. Doesn't it?

As a 30-year veteran in the investment field, I've spent the better part of my career studying the markets and searching for opportunities that have done just that – beat the market! Today's blog is Part-1 of a series of investment strategies that indeed have enriched their stakeholders.

There's an old saying when it comes to buying and making money in real estate: location, location, location. When it comes to stocks, conventional wisdom for success is: earnings earnings, earnings.

The box on the right comprises ten percent of the companies listed in the S&P 500 and how they've performed on a compounded return over the past ten years. Each of these stocks was selected based on one specific fundamental, sales. The only criteria to be part of this extraordinary list of companies is that each company had to increase its revenue by at least $1 in each of the 10 years consecutively. The group is sorted top-to-bottom from highest performing selection, "Priceline, 49% annual compounded return," to the lowest performing, "Urban Outfitter, negative 2% annual compounded return." The average annual compound return for the total basket equaled 17%. For comparison purpose, the S&P 500 posted a 5% annual return during this 10-year span. In other words, buying and holding the 50+ companies would have doubled your initial investment every 4.2 years. As an example, a $100,000 investment would have grown to $480,682 in ten years.

How difficult is it to select companies based on revenues? I would say that it is considerably less difficult than trying to pinpoint earning projections. If companies such as Google are continuing to expand market share and are forecasting 10% revenue growth, put the stock away and sit on it. Select stocks that have consecutively increased their sales and hold them until the revenue falls year-over-year. If a company's sales drop, sell it and replace it with a company that is increasing its revenue. The maximum risk of holding a basket of 50 stocks is 2% per issue. Keep it simple. Buy and hold companies and readjust on an annual basis. Maybe conventional wisdom of the future will be: revenue, revenue, revenue.

Short Name	10 Year Compounded Return
PRICELINE GROUP	49%
NETFLIX INC	39%
UNDER ARMOUR-A	32%
MONSTER BEVERAGE	32%
KEURIG GREEN MOU	31%
AMAZON.COM INC	30%
APPLE INC	29%
PERRIGO CO PLC	27%
SALESFORCE.COM	26%
ALLERGAN PLC	25%
O'REILLY AUTOMOT	24%
AUTOZONE INC	24%
DOLLAR TREE INC	24%
GILEAD SCIENCES	24%
INTERCONTINENTAL	24%
EQUINIX INC	23%
EDWARDS LIFE	23%
ROSS STORES INC	22%
CELGENE CORP	22%
TRACTOR SUPPLY	21%
BIOGEN INC	21%
TJX COS INC	21%
COGNIZANT TECH-A	19%
KROGER CO	16%
COMCAST CORP-SPL	15%
ADVANCE AUTO PAR	15%
COMCAST CORP-A	15%
STERICYCLE INC	15%
HUMANA INC	15%
F5 NETWORKS	14%
ALPHABET INC-A	14%
HENRY SCHEIN INC	14%
ESSEX PROPERTY	13%
RED HAT INC	13%
MCCORMICK-N/V	13%
WELLTOWER INC	12%
CR BARD INC	12%
AKAMAI TECHNOLOG	12%
CITRIX SYSTEMS	11%
VENTAS INC	11%
AVALONBAY COMMUI	11%
DAVITA HEALTHCAR	11%
STRYKER CORP	10%
LABORATORY CP	9%
BAXTER INTL INC	8%
UNITEDHEALTH GRP	7%
HERSHEY CO/THE	7%
S&P 500	**5%**
VARIAN MEDICAL S	4%
EBAY INC	4%
PATTERSON COS	4%
WAL-MART STORES	4%
BED BATH &BEYOND	2%
WHOLE FOODS MKT	-1%
URBAN OUTFITTER	-2%
	17%