Richard Bernstein Advisors

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RBA Quick Insights

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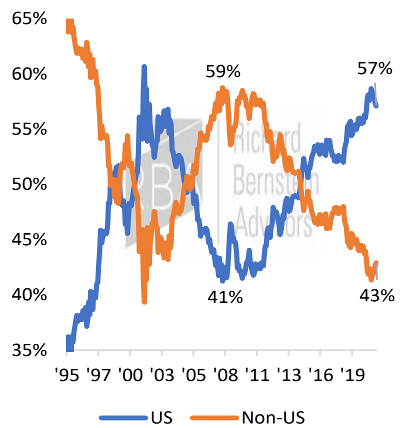
The kind of SPAC you should own

Three exposures dominate investor portfolios today

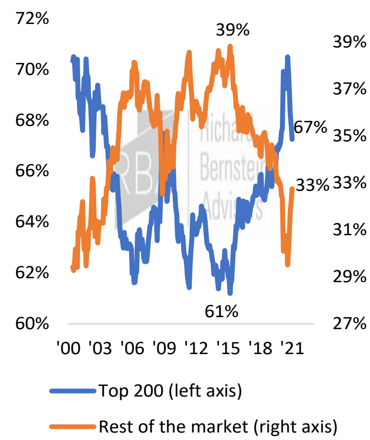
As a result of the decade-long outperformance of US over international, large caps over small caps and broad-based technology over everything else, most major market indices are now heavily skewed toward these factors. The US share of the global stock market is fast-approaching 60%, near the record levels of 2000. And within the US stock market, the share of the top 200 biggest stocks recently got back up to 70% while technology-related sectors[1] now make up more than half of the total S&P 500® market cap, both for the first time since 2000 as well. So even for those investors that haven't actively jumped on the bandwagon of what has outperformed for the past decade, chances are that these parts of the market have passively taken over the lion's share of many people's portfolios. History suggests that positioning for the next decade may require some proactive rebalancing.

Chart 1: US vs. Non-US share of ACWI



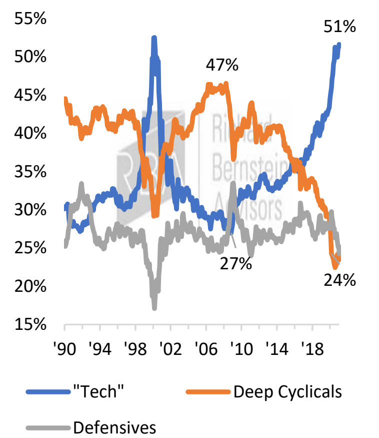
Source: Richard Bernstein Advisors LLC, Bloomberg, MSCI
Notes: Compares MSCI US vs. the rest of the MSCI ACWI index

Chart 2: Top 200 vs. rest of US



Source: Richard Bernstein Advisors LLC, Bloomberg, Russell Indices
Note: compares Russell Top 200 index vs. the rest of the Russell 3000 index

Chart 3: S&P 500® by style



Source: Richard Bernstein Advisors LLC, Bloomberg, S&P
Note: "Tech" includes Info Tech, Consumer Discretionary & Communication Svcs[1]

Time for another kind of SPAC?

[In the previous Quick Insight](), we suggested that by shifting portfolios toward smaller, cheaper, more cyclical and more international companies, investors could not only increase their exposure to faster improving profit fundamentals at more attractive valuations, but also reduce exposure to growing areas of market froth. The more elevated investor sentiment and market valuations get, the more it seems reasonable to avoid the most crowded and expensive parts of the market. So instead of chasing the next Special Purpose Acquisition Company, perhaps investors should seek out **S**tronger **P**rofits at **A**ttractive **C**osts.

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[1] Broad-based technology ("Tech") includes sectors heavily skewed toward companies associated with technology, innovation, or disruption: Consumer Discretionary, Communication Services & Information Technology. Deep Cyclicals include Energy, Financials, Industrials & Materials. Defensives include Consumer Staples, Health Care, Real Estate & Utilities.

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