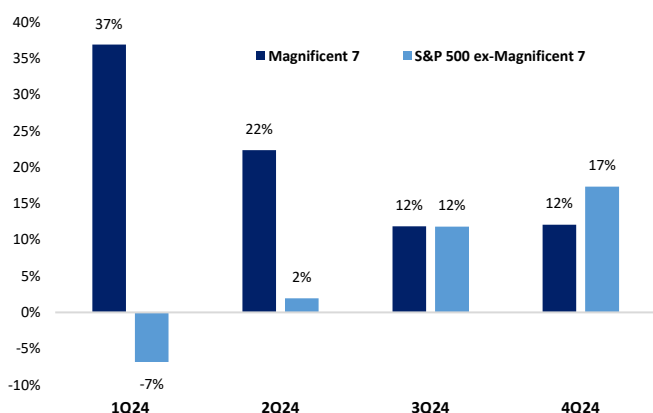


# The Need for Diversification in 2024

Whether famous or infamous, the Magnificent 7<sup>1</sup> stocks were 2023's stock market story. However, the fundamentals of the Magnificent 7 aren't uniquely superior when compared to the "other 493" in the S&P 500® Index.

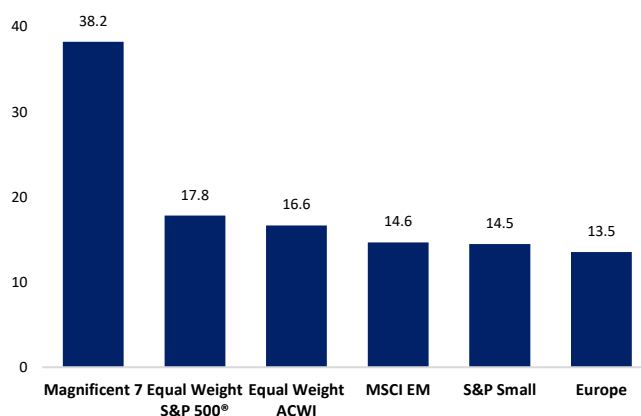
In fact, according to our research, the earnings growth of the Magnificent 7 is set to be outpaced by the "other 493" in 2024 (Chart 1). Additionally, current valuations for the Magnificent 7 are extreme with virtually the entire global equity market remaining cheaper than the Magnificent 7 (Chart 2).

**Chart 1: S&P 500® consensus quarterly EPS growth YoY\***



Source: Bloomberg Finance L.P. \*Estimated consensus forecast for aggregated float-adjusted earnings growth for companies where sufficient earnings estimates are available.

**Chart 2: PE Ratios (as of 2/28/24 close)**

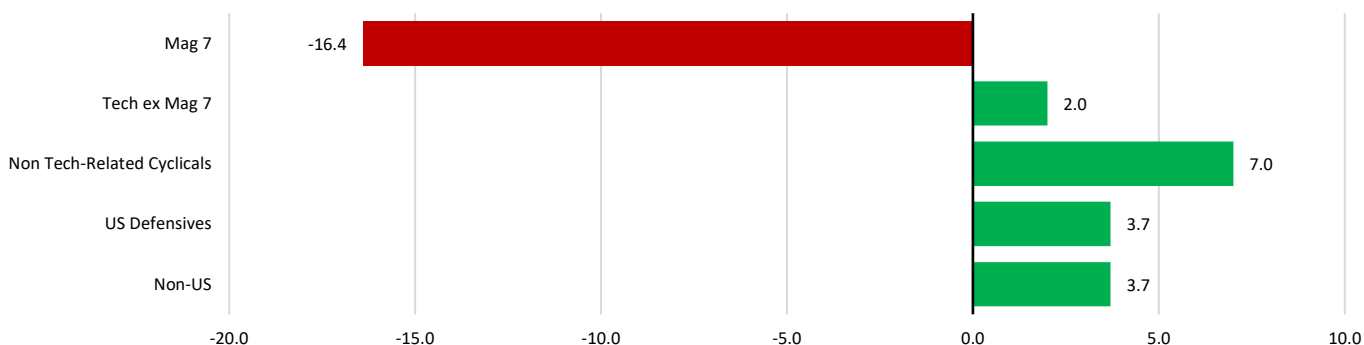


Source: Bloomberg Finance L.P.

Today's consensus remains focused on the Magnificent 7 stocks, but no sound financial theory advises that seven stocks constitute a well-diversified portfolio as a core for building wealth.

The possibility of another lost decade in equities (see our report "[How to avoid another lost decade in equities](#)") and the broad range of investment opportunities outside the Magnificent 7 leads us to position our portfolios with significant diversification both inside and outside the US. We see several opportunities that based on their valuations we believe are currently being overlooked, including US cyclicals, US small caps, and non-US and emerging markets.

**RBA Global Risk-Balanced Moderate Strategy Active Bets**  
(as of 12/31/2023)



Source: Richard Bernstein Advisors LLC, Bloomberg. Weightings are calculated on an equity-only basis. Allocations are subject to change due to active management. Percentages may not total 100% due to rounding. Benchmark: MSCI ACWI Index. Sector references are in accordance with the Global Industry Classification Standard (GICS®) [www.msci.com/gics](http://www.msci.com/gics)

<sup>1</sup> Magnificent 7: Apple, Alphabet, Amazon, Meta, Microsoft, Nvidia, and Tesla.

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