

Avengers Assemble!

Amazon is, very simply, a tremendous company. Google is also a tremendous company. The same goes for Microsoft, Apple, Netflix, and Facebook. These are the superheroes of capital markets. In these FAMANG stocks, the Avengers have assembled.

And the market knows it, shoveling hard-earned dollars into these great businesses for many years; and it's worked out *very* well for both the companies, and the investors supporting them. Just over a decade ago, at the end of 2009, Facebook wasn't even listed yet, but they had just done a valuation round at \$9 billion. Since then it has *85-bagged* to \$778 billion. Netflix is pretty close, with investors (those there for the whole ride) making 70x on their investment. All told the aggregate market cap of these FAMANG names during this period has gone from less than \$730 billion to over \$7.3 trillion.

And this last year have been the best of all. Here in 2020, when the pandemic has ground global economies to a halt, the FAMANGs have experienced a \$2.3 trillion *increase* in what Mr. Market believes they are worth.

FAMANG Market Caps (000s)			
	31-Dec-09	19-Nov-20	Change
Facebook	\$9,000,000	\$777,413,009	8537.9%
Apple	\$189,617,809	\$2,017,093,779	963.8%
Microsoft	\$270,635,611	\$1,606,000,540	493.4%
Amazon	\$58,244,845	\$1,563,968,482	2585.2%
Netflix	\$3,010,266	\$214,124,793	7013.2%
Google	\$196,701,308	\$1,191,430,560	505.7%
Total	\$727,209,839	\$7,370,031,162	913.5%

FAMANG Market Caps (000s)			
	31-Dec-19	19-Nov-20	Change
Facebook	\$585,320,976	\$777,413,009	32.8%
Apple	\$1,304,764,767	\$2,017,093,779	54.6%
Microsoft	\$1,203,062,646	\$1,606,000,540	33.5%
Amazon	\$916,153,935	\$1,563,968,482	70.7%
Netflix	\$141,804,970	\$214,124,793	51.0%
Google	\$922,891,145	\$1,191,430,560	29.1%
Total	\$5,073,998,438	\$7,370,031,162	45.3%

Moreover, the FAMANGs aren't the only ones with corporate superpowers. From the extremely controversial (e.g. Tesla, market cap \$470 billion) to the relatively steady (Nvidia, \$330 billion) to the Chinese guys (Alibaba, \$700 billion; and Tencent, \$720 billion) to a host of others in between. The outperformance of all these names has been nothing short of astonishing.

And you will find few reasonable observers that don't believe that each of these businesses is a game-changer in its own right. Each of these companies (and their founders and or CEOs) have built something wonderful.

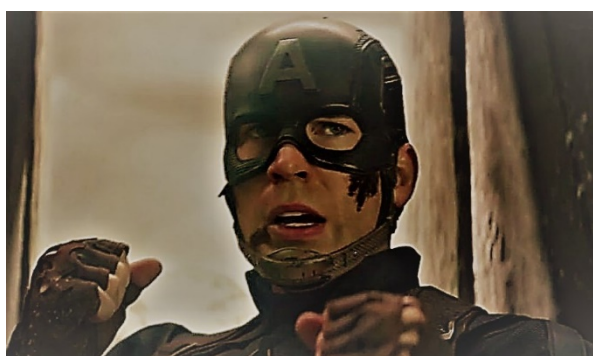
Thus, since they are not just good, but tremendous companies, it simply doesn't matter what price you pay for them. In fact, you should *only* own these types of businesses because they will surprise you with positives that even the wildest bulls don't initially expect (e.g. AWS at Amazon, Android at Google). Meanwhile, they are fun to discuss with your friends who own the same stocks, all of you sharing the same responsible time horizon of at least ten years, so that even during bouts of temporary volatility none of you will be laughed at (or get fired) for owning winners. Consequently, the price you pay for them today simply does not matter. These winners have changed the game, and consequently it's Ragnarök for the Gods of Value.

That's the end of this blog post.

Okay, it's not the end of the blog post. But surely at least a few of you read that paragraph above and nodded agreeingly. While others – others like us – read it and laughed out loud (or got sick). I get it, for those who have been picking stocks, if your career in the industry (or personal investing) started after 2009, it is hard to imagine any world where good stocks just don't go up, or where every sell-off is an opportunity. If you questioned this mantra at any point during your career, you were crushed. You were crushed shorting Netflix. You were crushed shorting Tesla. At some firms, you may even have been crushed for *not owning* them.

And it frankly has been the right way to be. It's made sense, certainly from an outcome perspective. And while people (ourselves included) can go on and on about process vs. outcome thing and belittle those who we deem "lucky", the fact of the matter is that none of us get to simulate half a million rolls of the dice, and trust that our lives will work out like the average. We get one shot at a career. Maybe two. Maybe even three. But not half a million. If you are 24-36 years old, and you've owned the FAMANGs for 2-12 years you've not only been on the right side of history, you've probably had a pretty nice career, and have a house a lot bigger than the one you grew up in.

Then there are those of use who were baptized in the crash of 1987¹, or who covered tech stocks at the world's largest asset manager from 1999-2001, or who launched their hedge fund in 2008, three months before the GFC. There are some of us who may even be all three of those people.²



I can do this all day.

For that guy, it is very, very hard not to miss the growth mo boat. Sure, he might own NFLX briefly when he thinks there was an overreaction to temporarily poor international sub growth. He might own FB for a little while after the consensus investor temporarily dismisses the advertising TAM and punishes a quarter too severely. He might have owned MSFT when it had a high cash flow yield and low P/E (and it did, btw, under 8x in parts of 2011 and 2012). But he didn't buy and hold. He didn't HODL once the risk-reward deteriorated. He isn't cut out that way, and he missed out.

But is he still missing out? Maybe.

The one thing he would point out is his strong belief that there is a difference between a company and its stock price. He believes that when a stock price underreacts to great things, or overreacts to terrible things, this creates opportunities. He also believes that you can pay too much for a good company. He believes this, because as mentioned above, he covered tech stocks during the tech bubble and its aftermath.

On December 27, 1999, Microsoft closed at \$53.60. If you bought a share that day, at that price, you had to wait a little while before you broke even. Ten years later, you were still down 36%. Twelve years later you were down 44%. Fifteen years later, on July 16, 2014 (assuming you reinvested all your dividends) you finally were back to where you started.

Great company, but the price was very, very wrong in December of 1999.

But maybe MSFT was a one off. Let's have a look at, say, Amazon. In December of 1999, Amazon was riding pretty high too, just like Microsoft. On the 10th of that month someone bought (and sold) Amazon at the close of \$106.69 per share. Five years later you were down 64%. It took nearly 10 years (to October 23, 2009) to get back to where you started.

¹ <https://www.albertbridgecapital.com/post/the-voting-machine>

² Photo Credit: Captain America, Civil War (2016), Marvel Studios

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So, are there any great companies where the price is very, very wrong here in November of 2020?

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