

VIDEO - Do You Know These 4 Points About Growth Stocks?



Background: [We highlight and update four of the most crucial areas of our research for growth investors.](#) This includes our work on quality, beta, and forecasted growth, how even when you are successful it can be challenging, the current major growth themes and how to think about risk management of them, and some extreme valuations and what history tells us about these stocks.

Point 1: High quality and low-beta growth stocks outperform, and low quality and high beta growth stocks strongly underperform.

Point 2: We have identified six areas of growth: AI Semiconductors, AI Software, Power / Utilities, Electrification Industrials, Healthcare Services, and Housing / Building Products. Our custom baskets are all forecasted to grow faster than the overall market. We think it is crucial growth portfolio managers track the correlation of these baskets.

Point 3: Extreme valuations: Costco's ascent to 50x price-to-forward earnings caused us to analyze similar stocks, and on average this threshold becomes a problem six-to-nine months after a stock's initial ascent to that valuation level. There is no precedent for any company to grow at the rate implied by Palantir's current enterprise-value-to-forecasted sales multiple.

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Point 4: The Pain of 10 Baggers: Even when you own stocks that go up 10x over a five-year period, you will likely experience a significant drawdown.

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