



Investment Forum

March 2025

Bubbles, Bias, and the Goldilocks Trap:
A lost decade for US Equities?

B. Rich D.H. HEDGEYE

I'M LONG
DELUSIONS,
WISHFUL
THINKING
AND FOMO.





The four most
dangerous words in
investing are:
This time it's different

– Sir John Templeton

4 bubbles over the last 100 years

US equity is expensive in absolute terms and relative to US fixed income

US equities excess CAPE yield (CAPE EY – 10yr Real Yield) Jan 1920 – Jan 2025

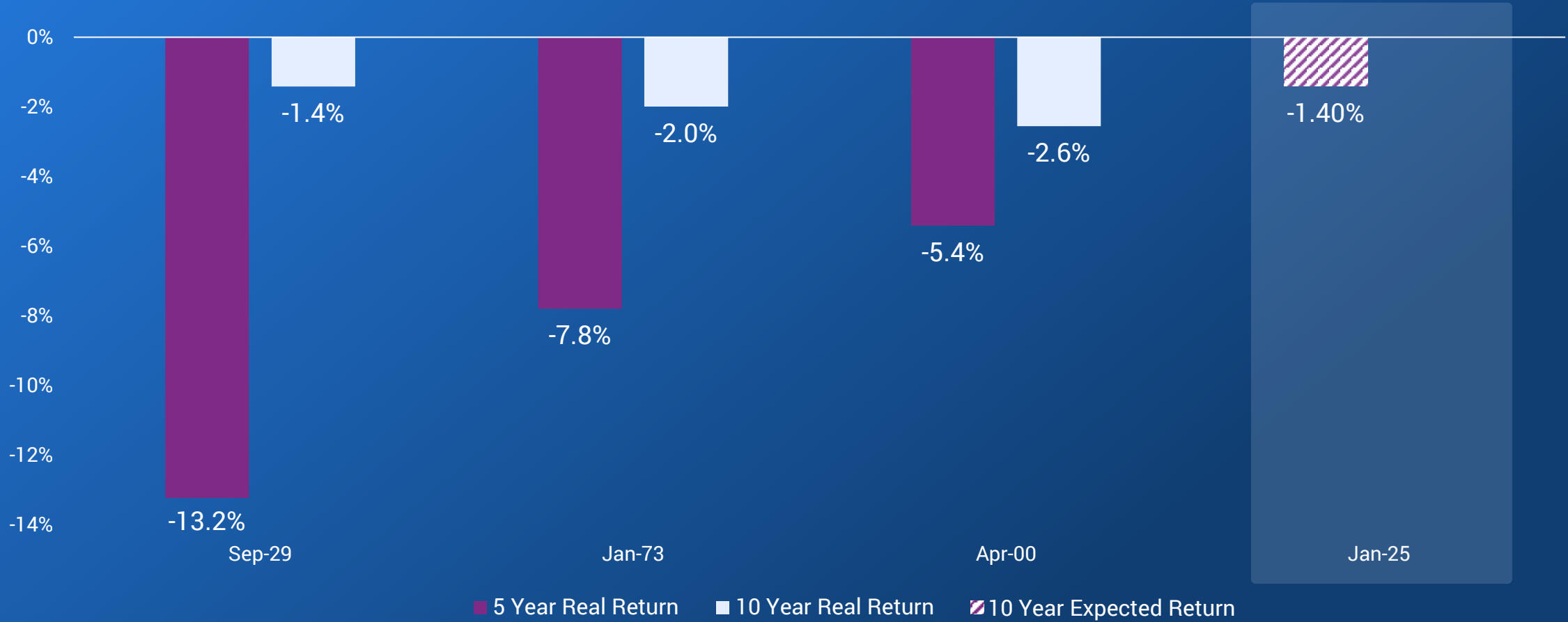


Source: 10X Investments, Shiller

Bubbles lead to lost decades

Each bubble has led to a decade of negative real returns for US equities

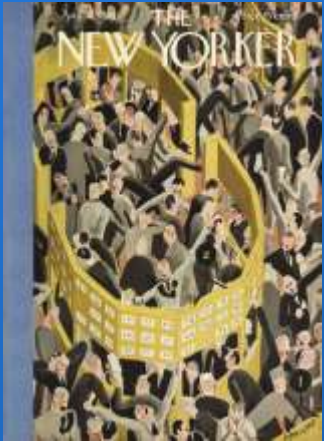
Real total returns p.a. to US equities from peak of bubble (%)



Source: 10X Investments, Shiller

The new, new thing

Innovation drives unbridled optimism



1929

"New Industrial Marvels:
Assembly Lines and
Electrification Ignite
Unbridled Optimism!"



1972

"Blue-Chip Revolution:
Timeless Titans Promise
Endless Prosperity!"



2000

"Digital Dawn Unleashed:
Internet Startups Herald a
New Era of Exponential
Growth!"



2025

**"AI Uprising: Cutting-
Edge Algorithms and
Automation Redefine
Tomorrow's Market!!"**

Great companies can be poor investments

Tech Bubble Era

Company	99-00 PE Ratio	Peak to Trough Drawdown	Year Surpassed Tech Bubble High
Cisco	230	-88%	Never
Intel	59	-81%	2018
Microsoft	87	-65%	2014
General Electric	53	-61%	Never

Magnificent 7: 31 Dec 2024

Company	PE Ratio
Tesla	202
Nvidia	54
Amazon	46
Microsoft	35
Apple	34
Meta	27
Alphabet	25

Source: 10X Investments, Bloomberg

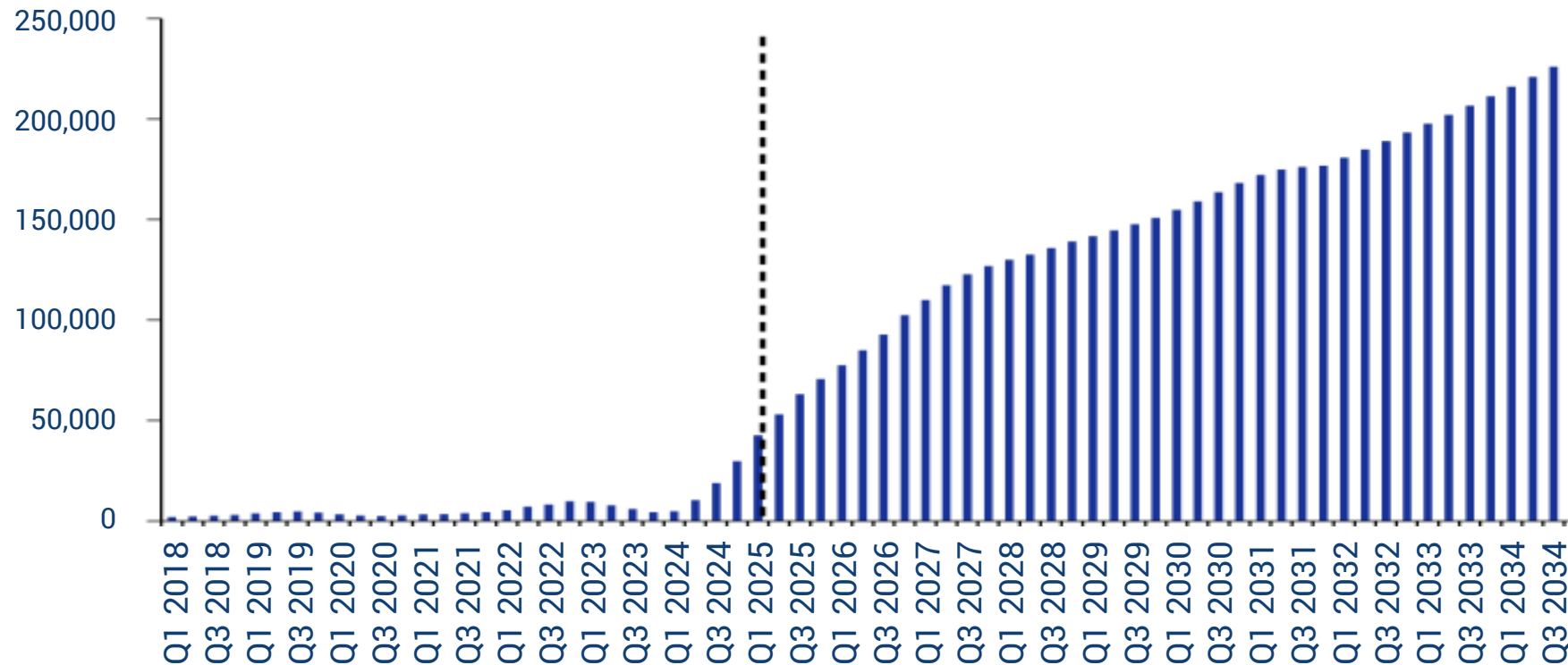
**The price you pay today matters
for even the winners of tomorrow.**

Is Nvidia the Cisco of this bubble?

Profit from \$4bn in 2023 to nearly a quarter of a trillion by early 2030's

Exponential growth forecast far into the future

Nvidia LTM earnings and analyst forecasts

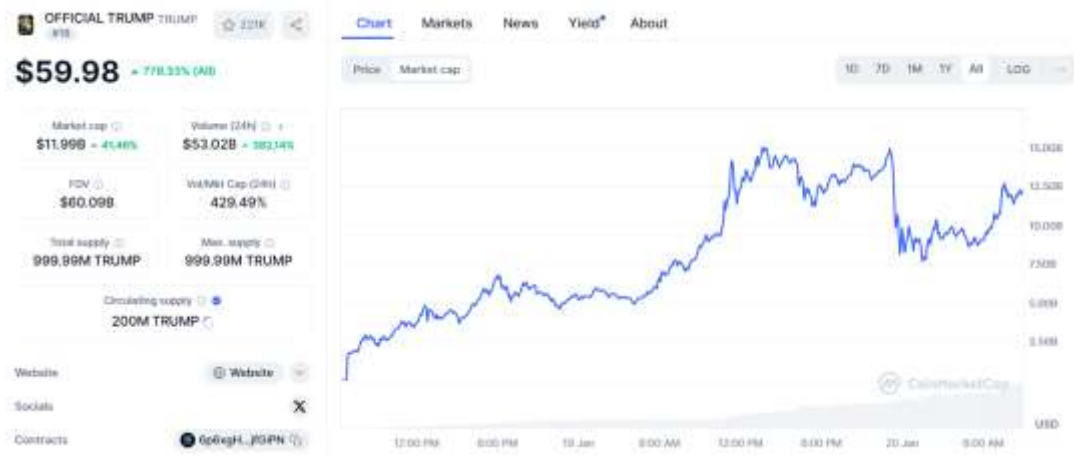


Source: 10X Investments, Bloomberg

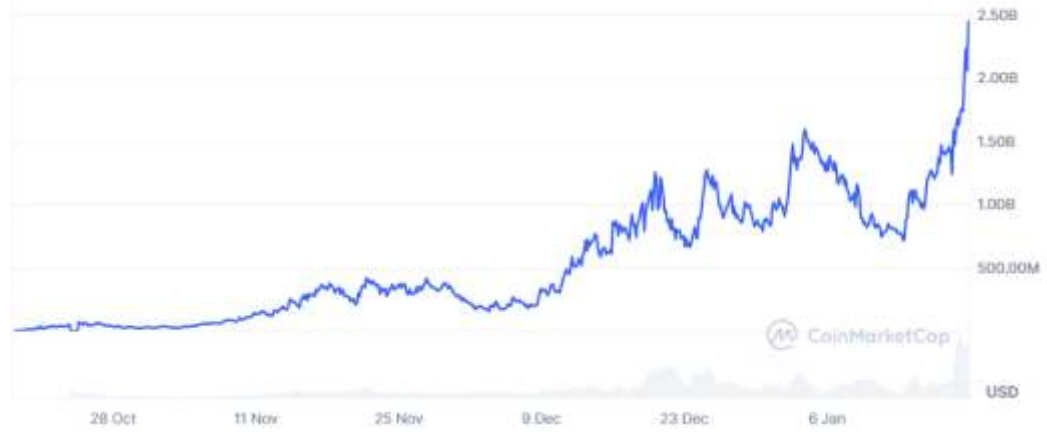
Crypto is the pet.com of this bubble

Signs of excess speculation and leverage

Trumpcoin up 700% in two days to \$12bn



Fartcoin market cap of \$2.5bn from ICO late October



MicroStrategy is a prime example of speculative excess mixed with leverage with investors paying 2x premium for bitcoin

MicroStrategy Announces Pricing of Offering of 0% Convertible Senior Notes

Press Release • November 20, 2024

Leveraged MicroStrategy ETFs Are Playing With Fire, Experts Warn

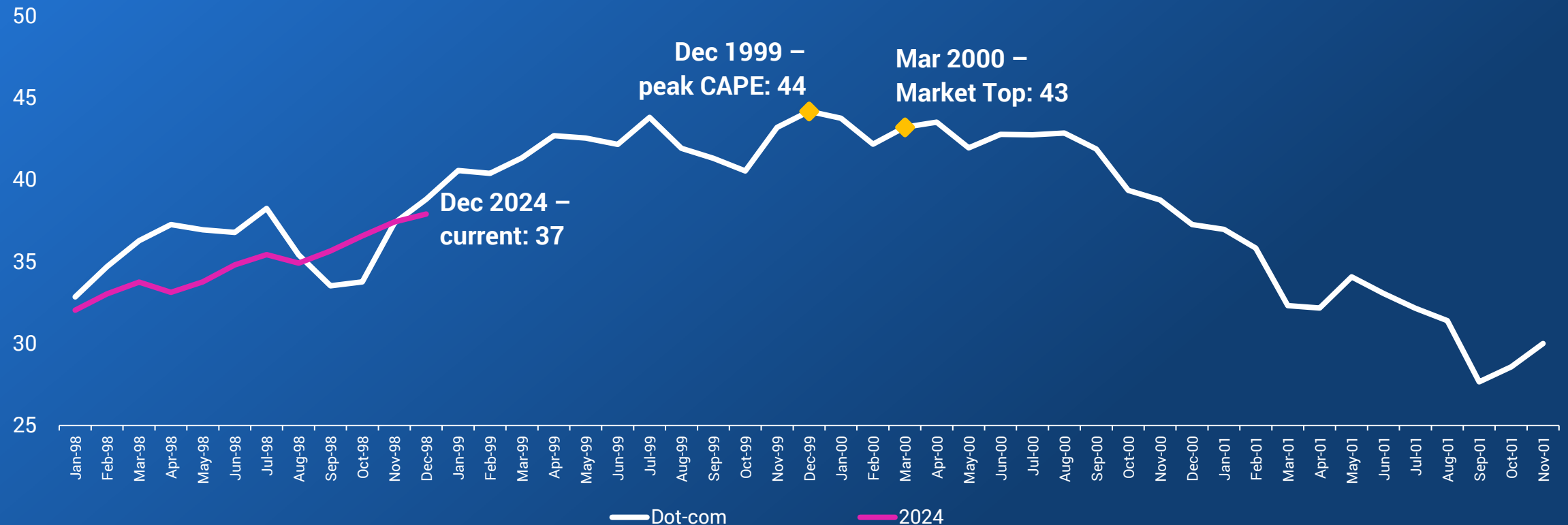
Story by Murtuza Merchant • 1mo • 3 min read

But bubbles can always get more expensive

Valuations aren't great at timing

CAPE ratio current vs Dot-com period

S&P 500 CAPE Ratio: Jan 1998 – Nov 2001 vs Jan 2024 – Dec 2024

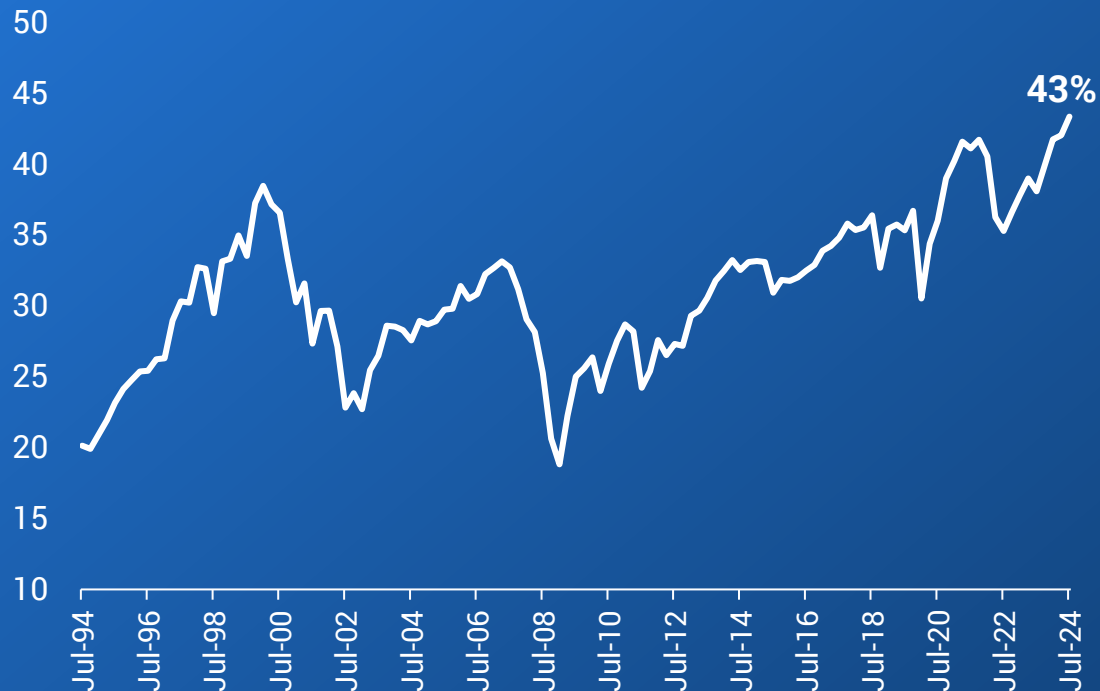


Source: 10X Investments, Bloomberg

The market is the economy

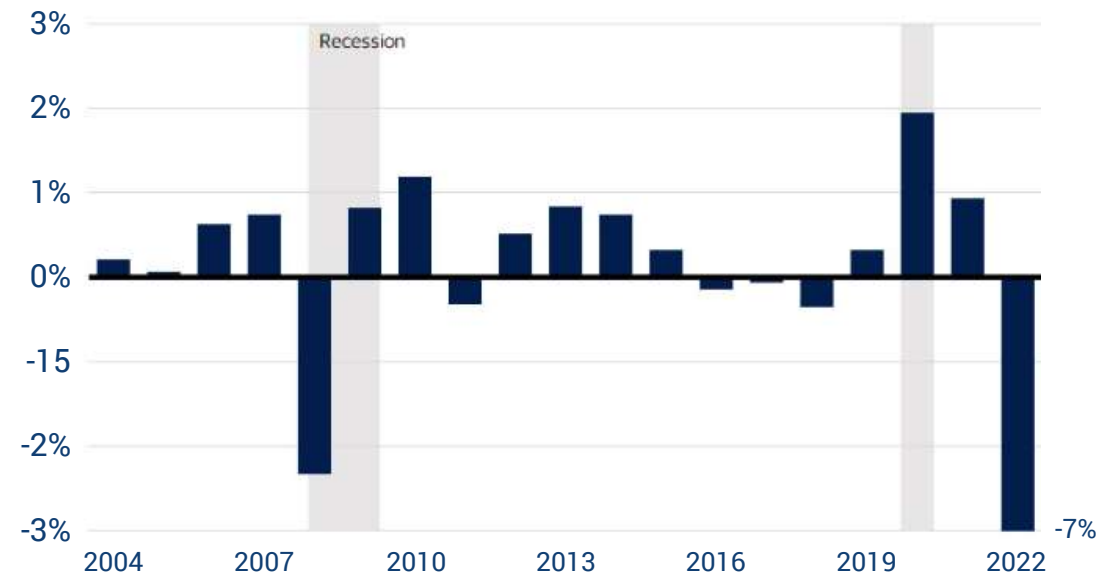
Record household exposure to stock market

% of financial assets held in equities, households and NPO 1994 – 2024



Source: 10X Investments, FRB

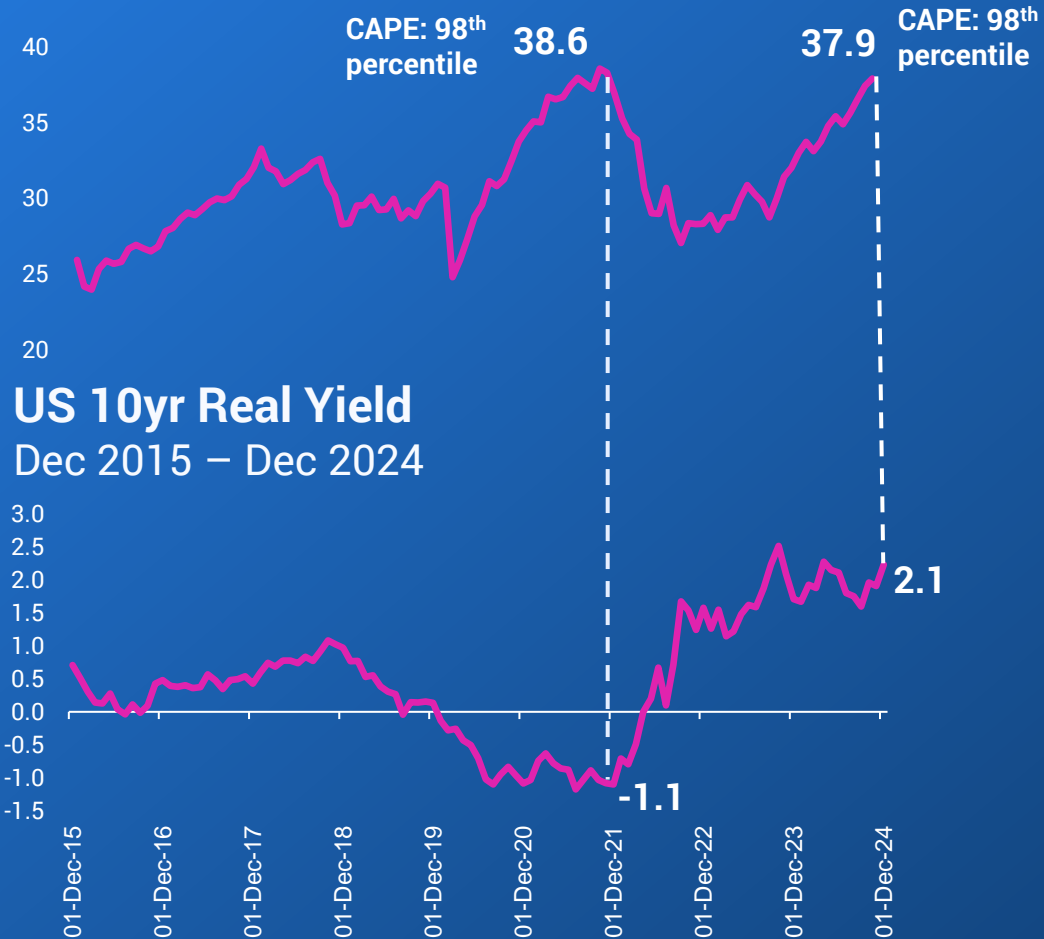
Stock and bond wealth contribution to real personal consumption expenditure growth (Percentage points. Last actual: Q3-2022)



TINA becomes TARA

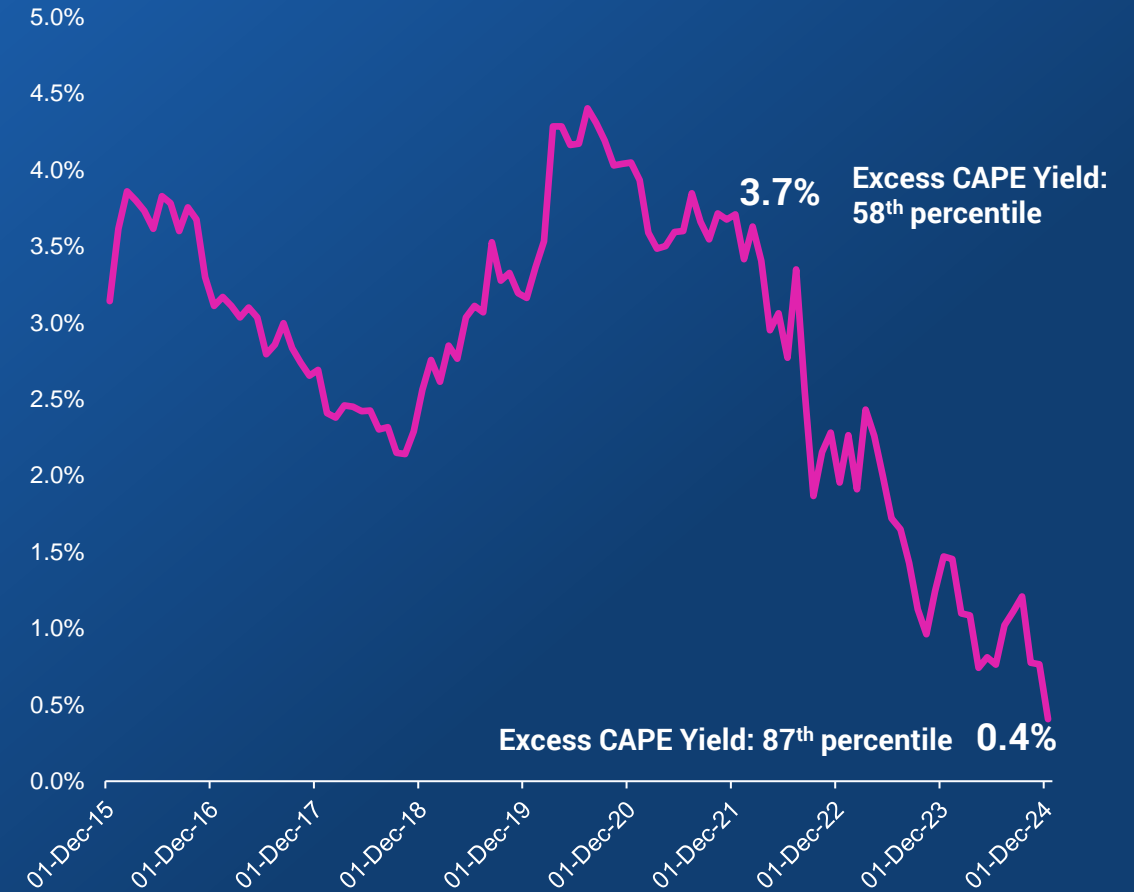
CAPE Ratio

Dec 2015 – Dec 2024



Excess CAPE Yield

Dec 2015 – Dec 2024

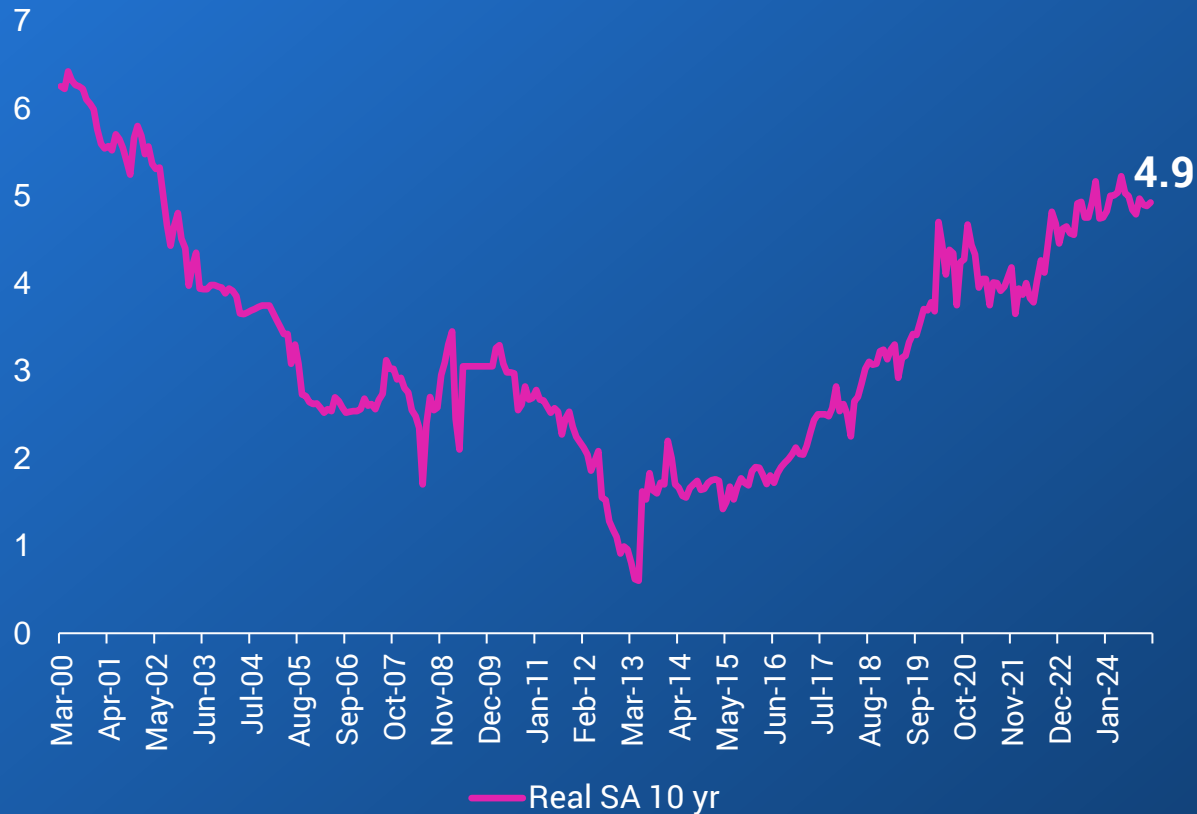


Source: 10X Investments, Bloomberg

Defensive assets offer attractive returns

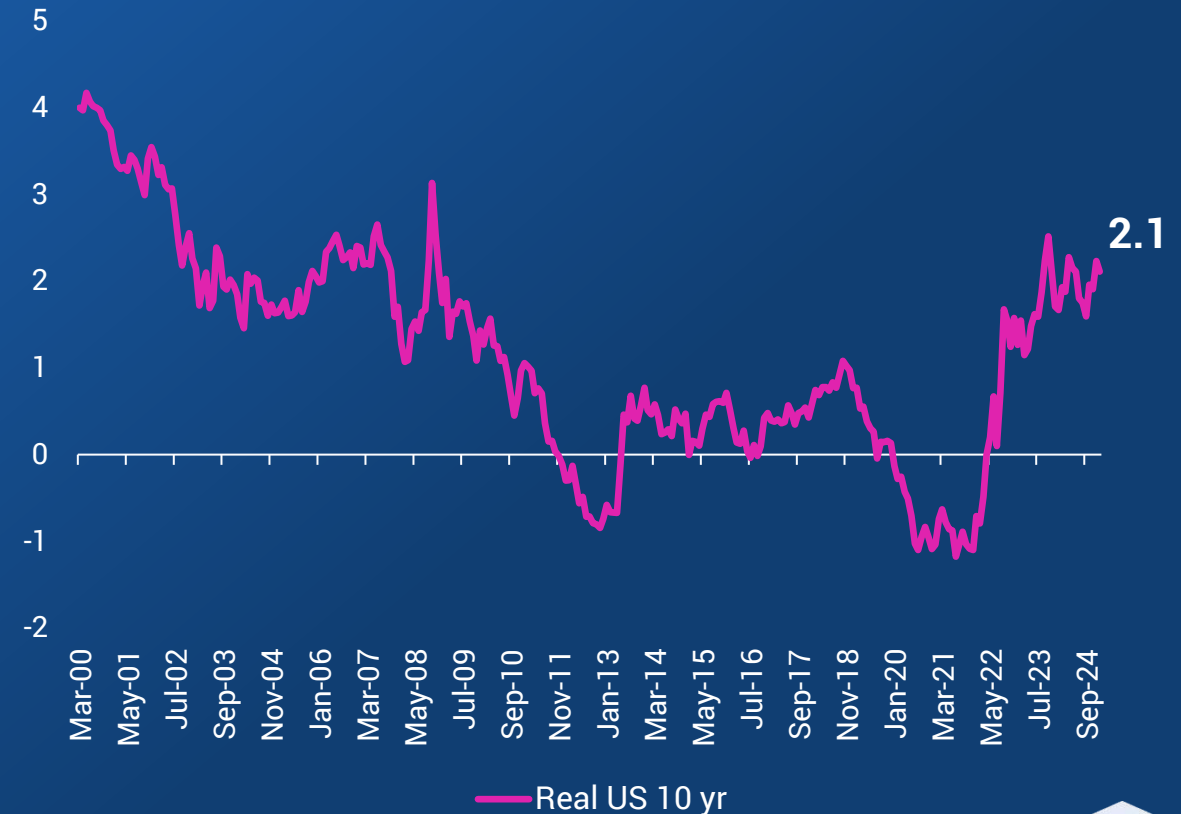
5% real returns from SA ILB's

SA 10yr Real Yield Mar 2000 – Jan 2025



2% real returns in USD from US TIPs

US 10yr Real Yield Mar 2000 – Jan 2025

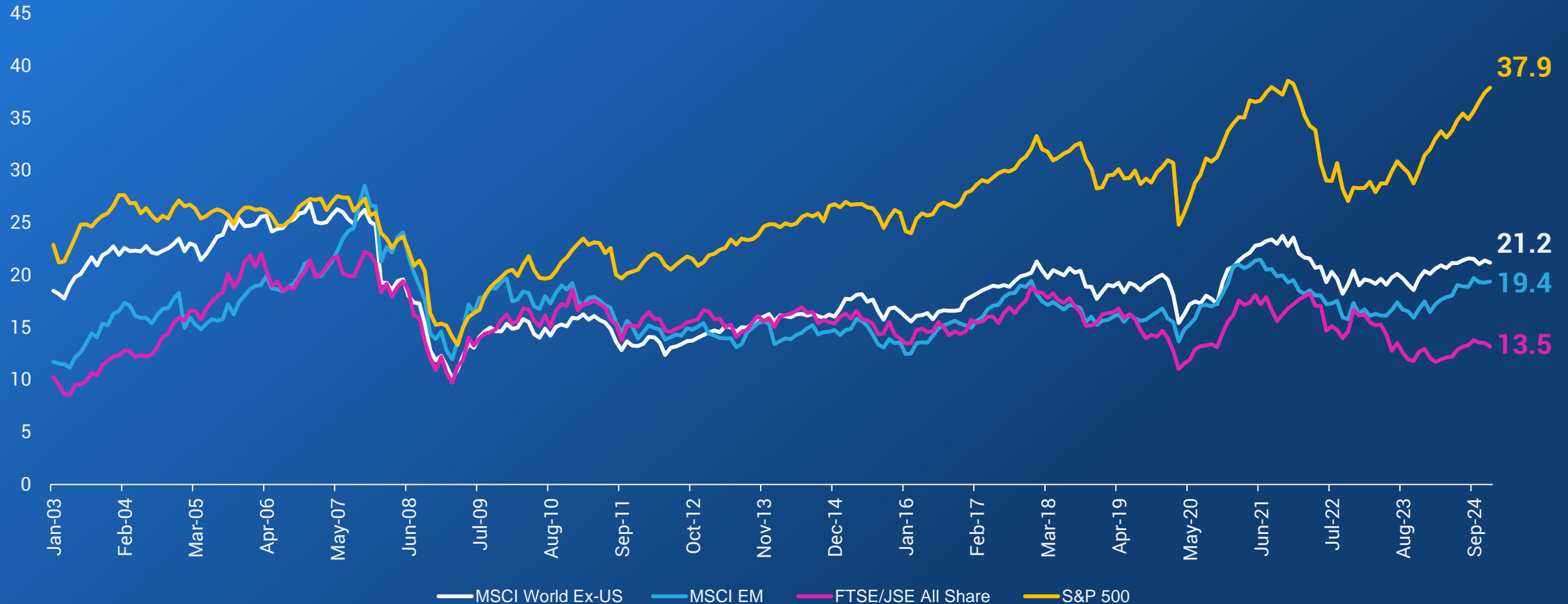


Source: 10X Investments, Bloomberg

Opportunities to **diversify** outside of US

Not all equity markets are expensive

CAPE Ratio March 2005 – Dec 2024



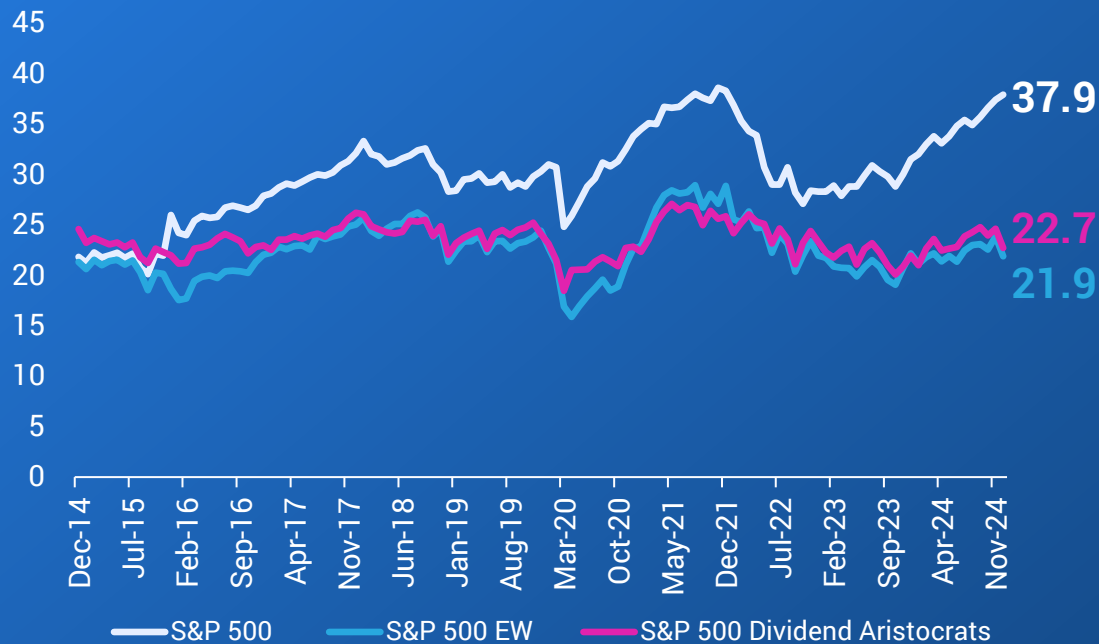
Source: 10X Investments, Bloomberg



Opportunities to diversify within US Equities

Not all US equity is expensive

CAPE Ratio Dec 2014 – Dec 2024

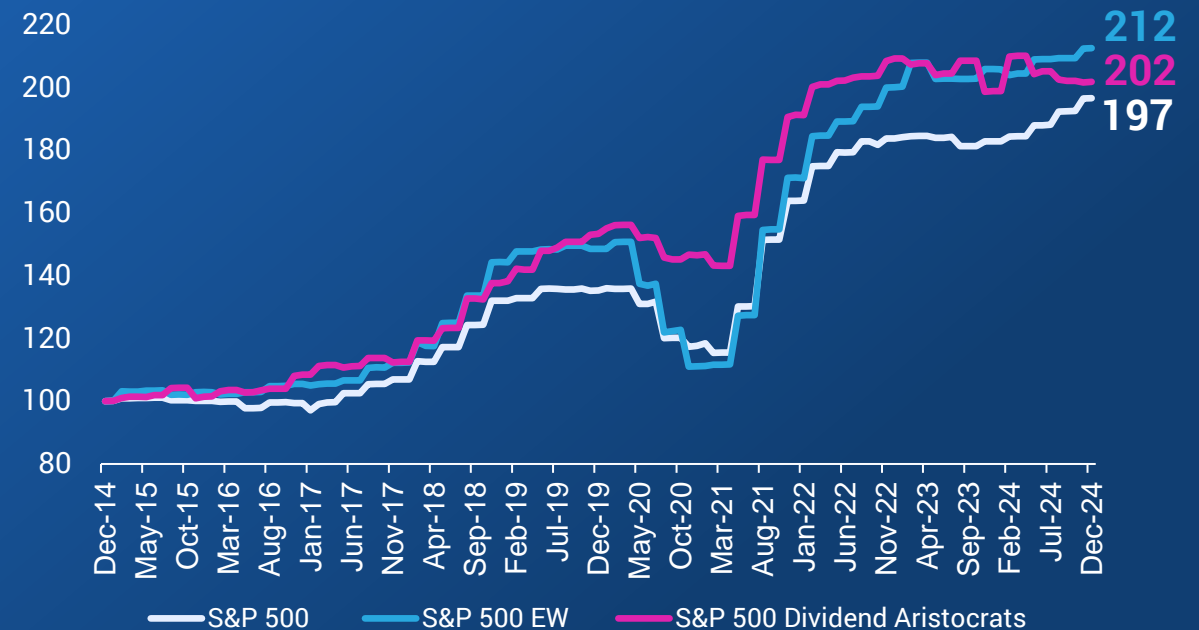


Change in valuation 2014 - 2024

S&P 500	62%
S&P 500 Equal Weight	3%
S&P 500 Dividend Aristocrats	-8%

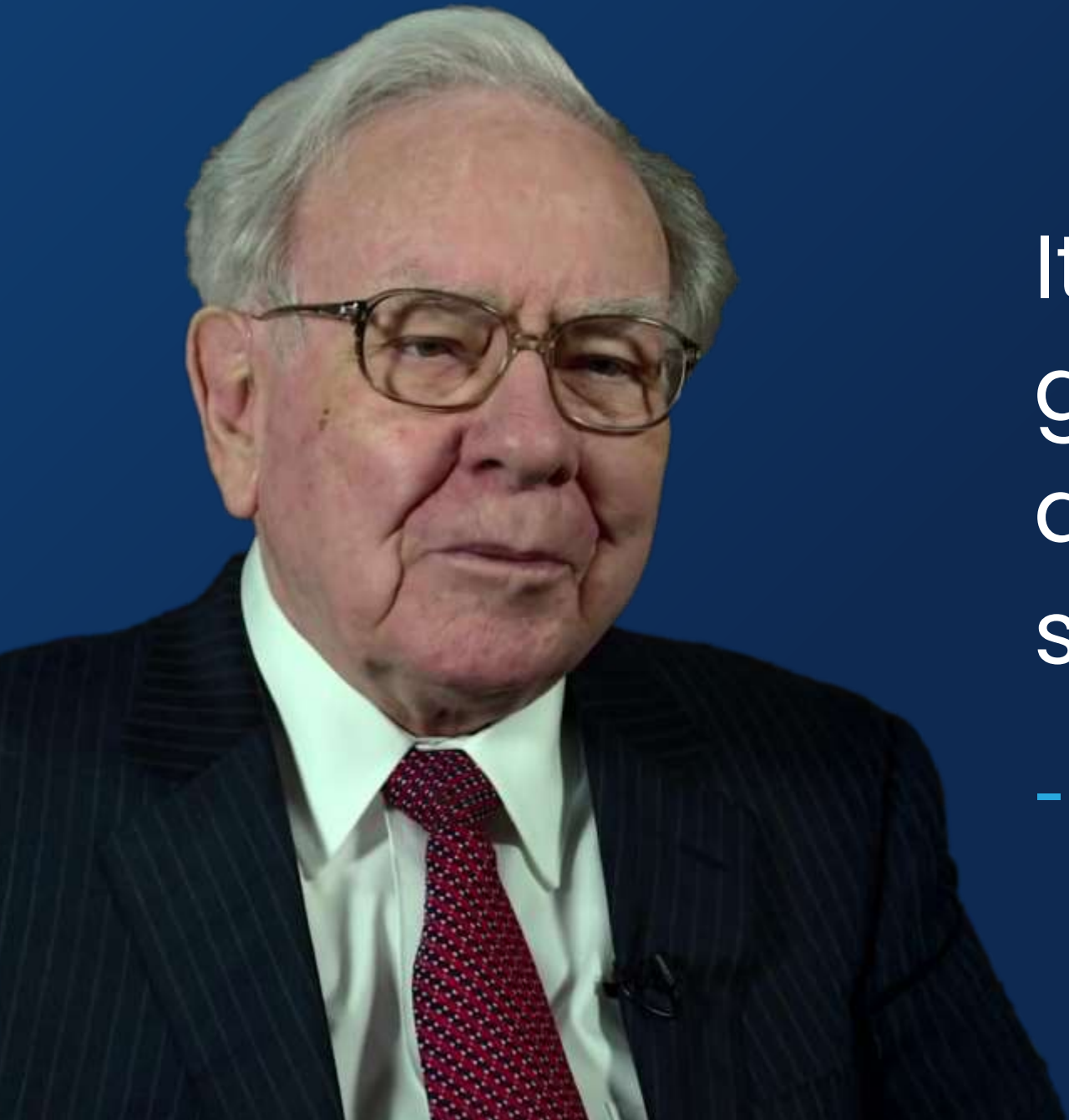
Diversified exposure with stronger earnings growth

EPS Dec 2014 – Dec 2024



Change in EPS 2014 - 2024

S&P 500	97%
S&P 500 Equal Weight	112%
S&P 500 Dividend Aristocrats	102%



It's only when the tide goes out that you discover who's been swimming naked.

– Warren Buffett

Important information

10X Fund Managers (RF) (Pty) Ltd (the “Manager” or “10X FM”), Registration number 2006/006498/07, is a company incorporated in South Africa registered as a manager of collective investments schemes in securities in terms of Section 42 of the Collective Investments Schemes Control Act, 45 of 2002 (“CISCA”) and is regulated by the Financial Sector Conduct Authority (“FSCA”). The Manager administers Unit Trusts and is also issuer of both passively managed exchange traded fund (“ETF”) portfolios and actively managed exchange traded fund portfolios (“AMETFs”) which listed on the JSE in the Exchange Traded Funds sector and the Actively Managed Exchange Traded Funds sector of the JSE’s Main Board, respectively.

Unit Trusts, ETFs, AMETFs and are collective investment schemes portfolios (“CIS portfolios”) in terms of CISCA – however, as ETFs and AMETFs are listed on the JSE, they are therefore also regulated by the JSE. Unit Trusts, ETFs and AMETFs may seem similar in nature as they both hold a basket of shares but there are many differences between them. The differences not only lie within the investment strategy but also in: Trading – AMETFs and ETFs are listed on the JSE; Transparency – You know exactly what shares the AMETF or ETF holds; Costs – as AMETFs and ETF are listed on an exchange, they may incur normal costs associated with listed securities including brokerage, settlement costs, Uncertified Securities Tax (UST), other statutory costs and administrative costs; Fees and minimum investment differs between the funds. The investment objective of each of the 10X FM Unit Trust and ETF portfolios is to replicate as far as possible the price and yield performance of a specified Index (or such other investment mandate approved by the regulator). The investment objective of each of the 10X AMETF portfolios is to provide access to a single portfolio of underlying assets or securities which are discretionarily managed in terms of a predetermined strategy.

Important information

CIS portfolios are generally medium to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Actual investment performance of the portfolios and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the Manager free of charge. There are no performance fees charged in the portfolios. The Manager does not provide any guarantee either with respect to the capital or the return of the portfolios. The portfolios may from time to time invest in foreign securities which could be accompanied by additional risks such as macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks as well as potential limitations on the availability of market information.

Additional details and information on each of the CIS portfolios such as investment objectives, benefits, index or benchmark, performance and tracking error, annual reports, brochures, minimum disclosure Documents ("MDDs") and quarterly general investor reports can be viewed on the 10X website www.10x.co.za and will also be made available to investors on request free of charge, the application form for investment in the Unit Trust portfolios will be made available to investors on request. The Investment Management of the portfolios is outsourced to 10X Investments (Pty) Ltd, FSP number 28285, an authorised Financial Services Provider ("FSP") under the Financial Advisory and Intermediary Services Act, 2002 ("FAIS Act"). This document and any other information supplied in connection with 10X FM is not "advice" as defined and/or contemplated in terms of the FAIS Act, and, therefore, investors are encouraged to obtain their own independent advice prior to investing or buying participatory interests in the CIS portfolios issued by the Manager.