

# Growth Stocks: The Flip Side

Investment Team Weekly Focus

22 October 2021



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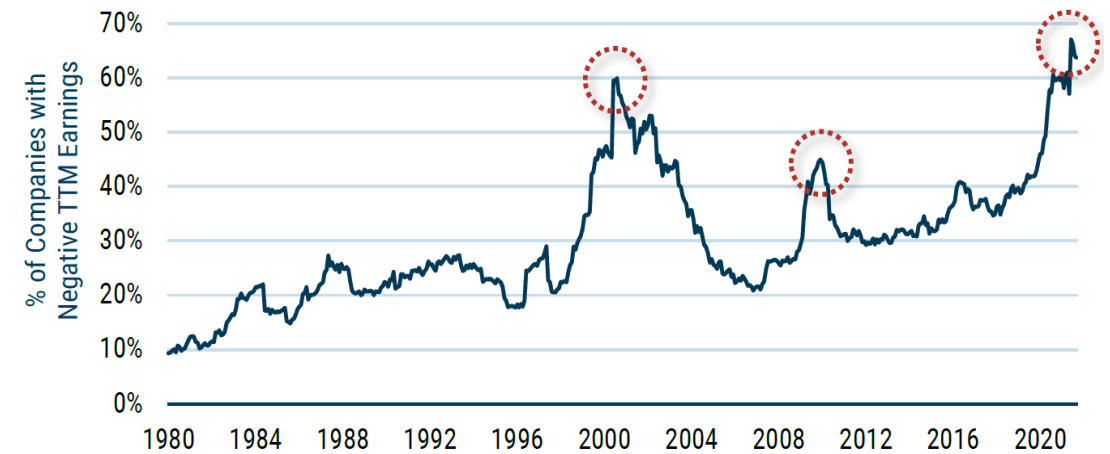
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## Red Hot Growth Stocks

- Of the 3047 companies that make up the Russell 3000 Index, 1723 are considered “growth”, which translates in higher price-to-book ratios and higher forecasted growth values. (Source Bloomberg)
- Interestingly, GMO looked at the percentage of loss-making companies within the Russell 3000 Growth Index and how that percentage has evolved over time. Their conclusions are terrifying:
  - a) 63% of these “growth” companies are loss-making.
  - b) That percentage is higher than during the dot.com bubble.
- Investors have forgotten that most of the loss-making companies which were listed during the dot.com bubble went bankrupt. They refer to Amazon.com and Booking.com to illustrate that growth companies can offer great returns over time. This is true assuming you are talented enough to pick only the few exceptions.

**% of Russell 3000 Growth Stocks with Negative Earnings**



Source: GMO, October 2021





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#### Singapore

Lighthouse Canton Pte Ltd  
16 Collyer Quay  
#11-02  
Income at Raffles  
Singapore 049318  
Phone: +65 6713 0570

#### Dubai

The Exchange  
Gate Village 11, Unit 204  
Dubai International  
Financial Centre  
PO Box 507026  
Dubai, UAE  
Phone: +971 45 861500

#### Email

[ir@lighthouse-canton.com](mailto:ir@lighthouse-canton.com)

