NO HAYSTACK. NO NEEDLES. COMPOUNDING COMES FROM ROTATION

Kostas Grigorakis, CFA®, Managing Director – Investments, Senior PIM® Portfolio Manager

June 24, 2026

You may want to sit down for this [1].

By the end of 2025, roughly 29,000 stocks since 1926 had collectively compounded at nearly 10% annually—outperforming T Bills by more than 400x (!) and generating about $91 trillion in shareholder wealth [2].

But here's the part most investors miss:

- **59% of those stocks actually destroyed value—losing nearly $11 trillion**
- **37% merely offset those losses—netting out to break even**
- **And just 3.8% of stocks created all the net wealth**

It gets even more concentrated:

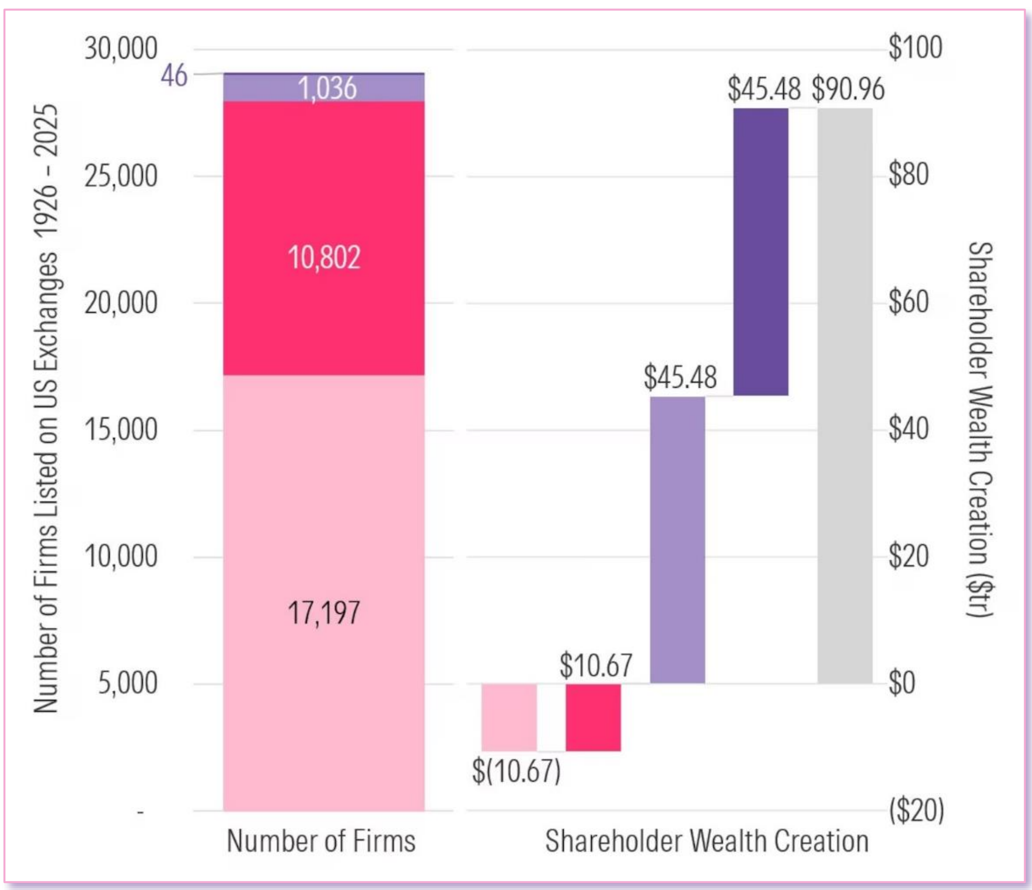
- **3.6%, or 1,036 stocks, produced half of total gains**
- **Just 0.2%—only 46 stocks—produced the other half**

Read that again: **the market compounds. Most stocks do not.**

Returns are concentrated, skewed, and driven by rare winners. Everything else is dead weight…or worse.

So, what can investors and portfolio managers do? Most responses fall across the familiar **Active** vs. **Passive** divide.

The **Active** camp tries to find the ultimate winners upfront and hold them for the long run. That sounds simple. It isn't. Winners are rarely obvious in advance, and even the biggest winners—the needles—often suffer gut-wrenching retracements of 40% or more along the way.



In contrast, the **Passive** camp owns the haystack—indexing to the market—trusting exposure to the few spectacular winners will offset the drag from the majority of losers.

We see it differently. For us, this is not a haystack-or-needle problem—it's an **alignment problem**.

Yes, the ultimate winners are rare. But they are also dynamic, regime-dependent, and tractable as they assert themselves. After all, stocks cannot become record compounders without repeatedly showing up as **market frontrunners** along the way.

So instead of permanently owning the haystack—or trying to predict the needles in advance—**we rotate toward where leadership is forming**.

That leads to a different framework: **compounding comes from rotation, not blanket exposure or divine discovery**. It's not just what you own. It's when you own it. Markets compound through rare, persistent, regime-dependent **frontrunners**.

Bottom line: indexing guarantees you own the winners—but also everything else. Traditional active stock picking desperately tries to predict the winners and endure the ride. Our objective is different: **stay aligned with what leads, for as long as it leads, and rotate when leadership changes**. That is the engineering principle behind our innovative ***BOOST*** trading engine, now embedded across all of our strategies.

Tired of owning the haystack—or trying to find the needles? Talk to us. We offer a more promising alternative.

[1] https://www.morningstar.com/stocks/why-most-stocks-arent-worth-owning

[2] Bessembinder, H. (2018). Do stocks outperform Treasury bills? Journal of Financial Economics, 129(3), 440–457.