Porter & Co.

THE BIG SECRET ON WALL STREET

AMERICA'S LOST STOCKS

FROM THE DESK OF PORTER STANSBERRY

SPECIAL REPORT

America’s Lost Stocks

Where To Invest During A Lost Decade

16 Stocks To Keep In Mind When A Correction Comes

Imagine you had an investment crystal ball – and you could see the market’s future.

In 1969, you watched Warren Buffett shut down his investment partnership. He complained there were no attractive investments given his large (at the time) amount of capital ($100 million). But, because of your crystal ball, you knew he was completely wrong. You knew that the top 50 stocks in the S&P 500 – the so-called “Nifty Fifty” – were going to soar.

Total returns in these stocks during 1970, 1971, and 1972 were astounding. As a group they were up almost 30% annually. By the peak of the market, in 1972, their valuations had become “Tokyo-like.” McDonald’s (MCD) had a price-to-earnings (P/E) ratio of 86. Polaroid’s P/E was 91. The Walt Disney Company’s (DIS) was 82. (Tokyo-like refers to the incredible Japanese stock mania of the 1980s, when the average P/E ratio on that market reached 70.)

When my children were younger, they’d do foolish things in the house. Like throw a football in the living room. Our family mantra is kindness always, no exceptions. So rather than simply scold them, I’d ask them calmly: *What happens next, boys?* And they’d sheepishly answer, *“Something is gonna get broken, and we will have to clean it up.”* Sometimes they’d go outside with the ball. Sometimes something would get broken, and they had to clean it up.

When you participate in a market mania, I can tell you what happens next. Something will get broken, and you’ll have to clean it up. If you’d bought the Nifty Fifty in 1969, your portfolio was down almost 95% five years later – despite the incredible returns of the early ’70s.

Today, we have the exact same scenario. Once again, Warren Buffett has taken his chips off the table. If you look at the most recent Berkshire Hathaway quarterly report (2Q 2025) you can see that Buffett holds nearly as many T-bills as equities ($244 billion versus $270 billion). His total cash balances are now over $340 billion.

But, meanwhile, the Nifty Fifty... whoops... I mean the Magnificent 7 – Amazon (AMZN), Apple (AAPL), Google (GOOG), Meta (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA) – have continued to hit new highs. According to GAAP (Generally Accepted Accounting Principles), Tesla now trades at a P/E ratio of 243. We are well beyond Tokyo levels. As a group, the Magnificent 7 has been trading at around 65x earnings.

These extreme valuations and the concentration of so much investment capital into so few stocks will lead to a "lost decade" for investors who hold the Nasdaq 100 or even the S&P 500. Equity valuations will revert to the mean and, even if these businesses do extremely well, their share prices won't.

These unpleasant facts lead to an important question: What should investors do when facing a lost decade in future equity returns?

I've suggested a number of potential strategies in the past, including using a "**permanent portfolio**" strategy. We've recommended holding at least 25% of your portfolio in short-term fixed income (cash). It's also wise to look for opportunities in distressed corporate bonds, where equity-like returns can be earned without any equity valuation risk. And, of course, there are special situations, like the small-cap tech and biotech stocks – recommended by Erez Kalir in *Tech Frontiers* – where you can avoid equity valuation risk.

Here's another strategy that I believe will work.

To succeed in a lost decade, look for "lost stocks."

What are lost stocks? They are businesses that create incredible wealth, not through the expansion of their equity multiple (like Tesla) – but instead by their own internal cash generation plus excellent capital allocation.

These companies are run by excellent investors hiding inside businesses that everyone ignores.

Lost stocks use things like share buybacks and special dividends that don't register as yield or total return on investment databases (such as Bloomberg). These strategies make their incredible performances harder for analysts to discover.

And these businesses are the absolute masters of capital allocation. They create *enormous* value by investing their cash flows in the best possible ways, whether that's buying back their own shares or buying other businesses.

I've been building a complete index of lost stocks, much like we've built for the *Better Than Berkshire Index*. And while I'm not recommending any of these stocks as a buy today, I think it's important that we begin to track these businesses closely so that when there's a correction in their share prices, we can add them to our list of recommendations.

Here's what I'm looking for when I'm looking for lost stocks:

- Great businesses: companies with sustained, high returns on equity and returns on invested capital (20%+). We're not looking for accounting gimmicks and balance sheets loaded with debt. We're looking for brilliant owner-operators and a moat that lets profits compound.
- Low volatility: Beta below 1.25. We want stable businesses, held tightly by knowledgeable shareholders.
- And, of course, we want businesses, management teams, and owners who know how to stay out of the spotlight. We're looking for the corporate equivalent of a discreet private club.

This approach isn't only about style. Small, underfollowed companies often have lower prices due to investor neglect, not business risk. As Joel Greenblatt famously laid out in his book *You Can Be A Stock Market Genius*, inefficiencies are richest where Wall Street isn't looking. Charles Royce, Ralph Wanger, and Warren Buffett all made fortunes in unloved and ignored high-quality businesses.

As Fidelity's legendary fund manager Peter Lynch explained: "Most of my best investments were companies I hadn't heard of until someone introduced me."

Finding these investment opportunities can be difficult – they're "lost" for a reason.

I like to follow other professional investors who specialize in this kind of fundamental, long-term investing. But, again, these investors tend to keep a very low profile. If you have the golden goose, there's no reason to toot your horn.

But here are two investors you should take the time to learn from.

Greg Dean was the Morningstar Breakout Fund Manager of the Year in 2015. He does his own rigorous primary research, seeking high-quality, cash-generative companies run by talented, long-term-oriented management teams. Sounds familiar, doesn't it?

Dean was a partner for many years at Cambridge Global Asset Management, but most recently he founded a new firm in 2021, Langdon Equity Partners. Langdon's Global Smaller Companies Fund (launched 2022) is a concentrated portfolio (25 to 40 holdings) of international small-cap winners, consistently targeting double-digit cash flow per share growth. Since inception, the fund has delivered 14.3% annual net returns, outperforming global small-cap indexes by almost 8% per year. *Big Secret* recommendation Burford Capital (BUR) is one of Dean's top three holdings in his smaller companies fund.

I also recommend keeping an eye on **Eric Cinnamond** – he runs Palm Valley Capital Management and focuses exclusively on overlooked micro and small caps with clean balance sheets, high profitability, and low index exposure.

Cinnamond is a true rebel in the investment management industry. He famously returned $400 million in investor capital in 2016! Nobody else does that, ever. But he did so because he believed the market offered no compelling value.

> *"I will never knowingly overpay for a security in order to maintain a fully invested portfolio or to enhance near-term relative returns."*

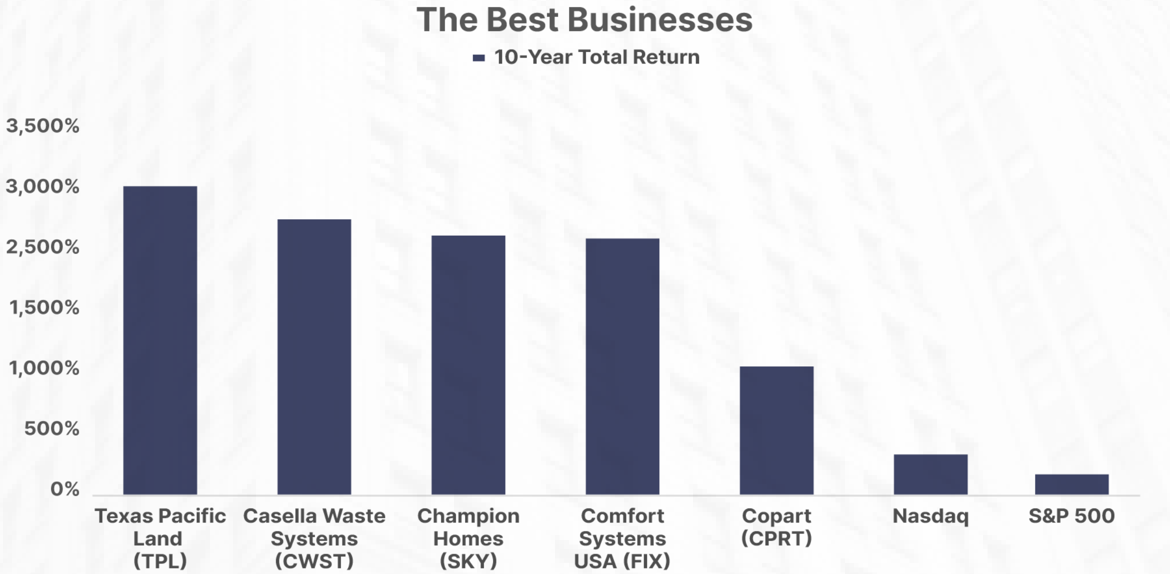
Palm Valley's fund has routinely been one of the few U.S. equity funds to make positive returns in volatile or "titanic" market years. For example, in 2022, when most funds saw significant declines, Palm Valley generated gains by holding large cash positions and then deploying capital opportunistically.

And if you're wondering... Palm Valley has rarely been positioned more strongly in cash. It currently holds 64% of the fund in Treasury bills. That makes Buffett's roughly 30% allocation to cash seem speculative!

Here are five examples of lost stocks.

These businesses are like Wall Street's mobile-home parks. They are some of the best businesses in the world, but few investors know where they are or how much cash they produce. They're always out of sight. For example...

1. Texas Pacific Land (TPL) – up 2,900% last 10 years
2. Casella Waste Systems (CWST) – up 2,632% last 10 years
3. Champion Homes (SKY) – up 2,434% last 10 years
4. Comfort Systems USA (FIX) – up 2,406% last 10 years
5. Copart (CPRT) – 1,141% last 10 years



Source: Bloomberg

We've written a lot about **Texas Pacific Land** over many years (I first recommended it to investors in 2012) – so you've probably heard of it, but most investors haven't. It operated, for decades, as a secret investment partnership. Incredibly simple business: huge land bank, producing leasing revenue, mineral royalties, and, lately, revenue from a rapidly growing water business. It was virtually impossible to get any information about the business. And all while, it kept buying back massive amounts of stock. From 1994 through 2013, Texas Pacific reduced its share count by 44%.

Casella Waste Systems is a serial acquirer in the garbage business. Nobody goes to Aspen or Davos and talks up their trash company. And that's why it's been able to buy $2 billion worth of high-margin waste-management businesses over the last decade at cheap prices, creating massive value for shareholders.

And... my favorite... Champion Homes, which builds mobile homes. Talk about the opposite of a glamour stock! How has it driven such incredible returns? Simple: it has great gross margins for a homebuilder (24%) and uses its cash profits to make great investments, both in its shares via buybacks, and in other mobile-home manufacturers. Again, nobody at Davos is bragging about the latest developments in trailer homes. Over the last decade, total shares outstanding have declined from 135 million to 57 million.

Why is this company my favorite? *There's nothing better than making money off the poor.* Why? Because, like Ayn Rand taught, they have always been with us. People who make terrible life decisions still need a place to live. And that's a market that's never going away.

Comfort Systems USA makes it very easy to understand heating, ventilation, and air conditioning ("HVAC"). They buy HVAC businesses – having done over $1 billion in acquisitions over the last decade.

And the last example, **Copart,** is, like Texas Pacific Land, an incredible story of hiding in plain sight for decades. They own more than 200 junk yards in 11 different countries. Junk yards? Yep, that's right. And guess what? Gross margins are close to 50%! Copart produces $1.5 billion in cash each year. This capital flows back into its own operations for growth (and more junk yards) and into its own shares ($1.4 billion in buybacks last decade).

To be clear... I'm not suggesting you buy these stocks today. They are, though, the kinds of unglamorous, underappreciated businesses operated by managers who are brilliant allocators of capital that can be astonishingly good investments.

And... when the correction comes... these are exactly the kind of businesses that you should keep in mind. Lost stocks can save you from a lost decade.

You'll find my index of lost stocks below, along with each company's market cap and current valuation (price-to-earnings multiple). I've also included a brief description of each company's business.

Again, my advice isn't to buy these stocks today, but instead to put them on your watchlist and look to buy them during market corrections or when, for whatever reason, they dip into a reasonable price range. That's going to be different for each company, but, overall, you'll rarely see these names trading below 25x earnings.

Porter & Co.'s Lost Stocks Index

Company	Ticker	Market Cap ($billions)	Price-To-Earnings (trailing 12 months)
Copart	CPRT	$46.5	28.8
Old Dominion Freight Line	ODFL	$30.5	28.3
Rollins	ROL	$27.8	54.7
Comfort Systems USA	FIX	$26.6	39.9
NVR	NVR	$23.6	16.3
Texas Pacific Land	TPL	$21.6	46.9
Carlisle Companies	CSL	$15.2	18.8
Lincoln Electric Holdings	LECO	$13.3	26.0
Pool	POOL	$12.2	29.9
Service Corporation International	SCI	$11.2	21.3
Simpson Manufacturing	SSD	$7.8	23.7
Trex	TREX	$6.3	33.7
Badger Meter	BMI	$5.3	38.4
Cal-Maine Foods	CALM	$5.3	4.1
Champion Homes	SKY	$4.2	20.6
Barrett Business Services	BBSI	$1.2	22.5

Copart (CPRT)

Copart pioneered the online salvage vehicle auction model, linking insurance companies and junkyards with global buyers. Its platform turns wrecked cars into liquidity, while its extensive land bank of salvage yards creates an irreplaceable moat.

Lost Stock Fit: Salvage auctions are about as unpleasant as it gets, yet Copart's cash margins approach 50%. Management has compounded value for decades through land accumulation and share buybacks — a quiet empire hiding in junkyards.

Old Dominion Freight Line (ODFL)

Old Dominion is one of the largest less-than-truckload (LTL) carriers in North America. Its network of terminals enables high service levels and pricing power in freight.

Lost Stock Fit: Trucking is an unglamorous grind, but ODFL's unmatched efficiency and discipline have made it the best-in-class compounder in the sector.

Rollins (ROL)

Through its Orkin brand, Rollins delivers pest control services worldwide. Recurring contracts and regulatory compliance make its revenues sticky, while its acquisitive model has expanded reach into dozens of niche markets.

Lost Stock Fit: Killing termites and roaches is about as unpleasant as it gets. But Rollins has turned pest extermination into a recurring, global cash engine, all while flying under most investors' radar.

Comfort Systems USA (FIX)

Comfort Systems is consolidating the fragmented HVAC, plumbing, and mechanical contracting industry in non-residential buildings. By acquiring dozens of small, local operators, it has created a national network with scale advantages and steady recurring demand.

Lost Stock Fit: HVAC contracting is invisible and unglamorous, but Comfort Systems is a *capital allocator in disguise*. It reinvests cash into accretive acquisitions, growing both scale and margins in a sector where few investors look.

NVR (NVR)

NVR is one of the largest U.S. homebuilders, operating under the Ryan Homes, NVHomes, and Heartland Homes brands. Unlike peers, NVR follows an asset-light model by avoiding direct land ownership, instead controlling land through purchase agreements. This strategy minimizes balance sheet risk while maximizing returns on capital.

Lost Stock Fit: Homebuilding is cyclical and unglamorous, but NVR has quietly compounded for decades by pairing disciplined land strategy with relentless share buybacks. Its capital-light model and consistent cash generation make it a standout allocator in a plain-vanilla industry.

Texas Pacific Land (TPL)

Texas Pacific Land owns nearly 900,000 acres in West Texas, earning royalties on oil, gas, and increasingly water. With virtually no employees, it runs as an asset-light cash machine, distributing excess through massive buybacks.

Lost Stock Fit: Land royalties are obscure, bureaucratic, and impossible to replicate. For decades Texas Pacific reduced its float and compounded silently, making it one of history's greatest "lost" wealth creators.

Carlisle Companies (CSL)

Carlisle has evolved into a building products powerhouse, focusing on commercial roofing, waterproofing, and insulation. Its steady replacement-driven demand in roofing gives it a recurring revenue base, while acquisitions and divestitures have sharpened its focus on durable, necessity-driven niches.

Lost Stock Fit: Commercial roofing is dull and cyclical, but Carlisle turns necessity into compounding through scale, portfolio discipline, and shareholder-friendly capital deployment in a sector few investors ever discuss.

Lincoln Electric Holdings (LECO)

Lincoln Electric is the global leader in arc welding products and automation systems, supplying industries from construction to shipbuilding. Its model is anchored by recurring consumables sales – electrodes and wires – that customers depend on regardless of cycles, while expanding into robotics and automation to deepen its moat.

Lost Stock Fit: Welding is gritty and overlooked, but Lincoln Electric has quietly compounded for decades through recurring consumables, disciplined capital allocation, and a global franchise that dominates an unglamorous niche.

Pool (POOL)

Pool is the world's largest distributor of pool and outdoor living products, with a network supplying chemicals, equipment, and parts to thousands of contractors and retailers. Its business is fueled by recurring demand for pool maintenance supplies, giving it resilience even outside of new pool construction cycles.

Lost Stock Fit: Pool chemicals and filters are invisible but essential. Pool's scale and recurring revenues make it a stealth compounding machine in one of the least glamorous distribution businesses.

Service Corporation International (SCI)

Service Corp is the largest operator of funeral homes and cemeteries in North America. Its scale, pre-need contracts, and local dominance create stable, recession-resistant revenues.

Lost Stock Fit: Few industries are more unpleasant than funerals. Yet Service Corp's roll-up strategy and capital discipline make it one of the most durable "hidden" compounders.

Simpson Manufacturing (SSD)

Through its Simpson Strong-Tie brand, Simpson dominates structural connectors and fasteners. With unmatched brand trust among builders, it earns steady returns from a niche in construction.

Lost Stock Fit: Nuts, bolts, and connectors are the definition of boring. Yet Simpson's dominance in this mundane space delivers high returns on capital and compounding power.

Trex (TREX)

Trex is the global leader in composite decking, using recycled materials to replace wood. It dominates its niche with strong brand equity and distribution.

Lost Stock Fit: Decking isn't glamorous, but Trex has built a near-monopoly in a niche with recurring demand. A boring homebuilding product turned compounding powerhouse.

Badger Meter (BMI)

Badger Meter provides smart water meters and flow control systems for utilities, municipalities, and industry. Its long-term contracts and embedded systems make it mission-critical for monitoring and billing water usage, ensuring consistent recurring demand and high switching costs.

Lost Stock Fit: Nobody brags about water meters, but Badger quietly compounds through sticky municipal contracts, recurring cash flows, and disciplined reinvestment – a hidden champion in a mundane industry.

Cal-Maine Foods (CALM)

Cal-Maine is the largest egg producer in the U.S., controlling ~20% of the market with ~50 million hens. Its size gives it efficiency advantages in a commoditized industry.

Lost Stock Fit: Egg farming is smelly and cyclical, but CALM's dominance and shareholder returns (dividends + buybacks) make it a hidden giant in an overlooked sector.

Champion Homes (SKY)

Champion is one of North America's largest producers of manufactured and modular homes, serving budget-conscious buyers. With high gross margins and a focus on affordable housing, it has steadily repurchased shares and consolidated smaller builders.

Lost Stock Fit: Mobile homes are the opposite of glamorous, but Champion Homes compounds steadily. By shrinking its share count and expanding intelligently, it's turned a "low-brow" industry into an outstanding compounding machine.

Barrett Business Services (BBSI)

BBSI provides payroll, workers' comp, and human-resources outsourcing for small and mid-sized businesses. Its model blends back-office administration with management consulting, creating sticky client relationships.

Lost Stock Fit: Payroll outsourcing is as boring as it gets, but BBSI quietly shrinks its float and compounds returns in a market largely ignored by analysts.

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P.S. If you'd like to learn more about the Porter & Co. team, you can get acquainted with us **here**. You can follow me (Porter) on **X** here: **@porterstansb**