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BUSINESS DAY

The Best Investment Since 1926? Apple

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The iPhone helped to catapult Apple into its position as the world's most valuable publicly traded company. But now Apple has another and, arguably, more exalted stock market distinction.

In the history of the markets since 1926, Apple has generated more profit for investors than any other American company.

That conclusion emerges from a study of stock market returns by Hendrik Bessembinder, a finance professor at the W. P. Carey School of Business at Arizona State University. His broad findings on the market are startling: Most stocks aren't good investments. They don't even beat the paltry returns of one-month Treasury bills, he has found.

But a relative handful of stocks are extraordinary performers. Only 4 percent of all publicly traded stocks account for all of the net wealth earned by investors in the stock market since 1926, he has found. A mere 30 stocks account for 30 percent of the net wealth generated by stocks in that long period, and 50 stocks account for 40 percent of the net wealth.

I've written about Professor Bessembinder's broad findings before, and several readers asked to see all the stocks in the professor's lifetime wealth creation list. So at my request, he updated his calculations through December 2016 and provided fresh rankings in his paper "Do Stocks Outperform Treasury Bills." We've reproduced the crucial elements here, with an important revision: Today, in the iPhone's 10th anniversary year, Apple is No. 1.

In a phone conversation, Professor Bessembinder reminded me that the stock market is a moving target and that his rankings, while valid through the end of 2016, don't capture the sharp movements of this calendar year. In his 2016 rankings, Exxon Mobil, not Apple, appears at the top, with net wealth creation of more than $1 trillion. Apple lags at about $745 billion.

But it has been a wild year. Exxon Mobil shares have declined more than 11 percent at a time of weak energy prices, while Apple, which just introduced a raft of new iPhones, is on a spectacular stock surge, gaining more than 37 percent.

Run the numbers as I did, and it's clear that at this moment, Apple has pulled ahead of Exxon Mobil, with total net wealth creation of somewhere in the vicinity of $1 trillion. Counting dividends, Exxon Mobil's losses in the stock market have reduced its total to a bit over $910 billion. (Note that, as a technical matter, Professor Bessembinder defines net wealth creation as total stock returns in *excess* of one-month Treasury bill returns, which averaged an annualized 3.38 percent, so the *actual* stock returns for Apple, Exxon, and the others are even *higher* than indicated.)

"It's remarkable that Apple has generated so much wealth in such a short period of time," he said. "Exxon has had decades to pile up those returns."

Exxon is among the top wealth-creating companies that have been publicly trading — under the name of a predecessor, Standard Oil of New Jersey — since the inception of Professor Bessembinder's tally in July 1926. Others include General Electric, IBM, Altria, Coca-Cola, DuPont, PepsiCo and Schlumberger.

He relied on a database developed at the University of Chicago, known as CRSP, for the Center for Research in Security Prices, that contains virtually all publicly traded stocks in the United States. The Center for Research uses rigorous and logical criteria to determine when stocks enter and depart its listings, with some results that may seem surprising at first glance.

General Motors, for example, ranks eighth. It was publicly traded in 1926, but the list says it ceased to exist in June 2009. A company called General Motors exists today, of course, but as Chloe Fu, senior support and relationship manager at the Center for Research in Security Prices, explained it, G.M.'s bailout and bankruptcy led the center to declare the old company terminated, with a new G.M. coming to life in June 2009. Consequently, the new G.M. returns aren't included in the total for G.M. on the list.

The list is a fascinating ranking of big winners in the stock market. But for a variety of technical reasons, it isn't a straightforward table of the greatest wealth generators in market history. For example, the long-term gains generated by Exxon Mobil and its predecessors are understated because of the database's limited duration and strict criteria.

Exxon Mobil's wealth in the list doesn't include Mobil's, which Professor Bessembinder's listing says, ceased to exist in November 1999, when it merged with Exxon. And going back further, both Exxon and Mobil were among the descendants of the Standard Oil trust, established by John D. Rockefeller and his partners in the 19th century. The total wealth generated by the cluster of companies derived at least partially from the trust — which also include Amoco and Chevron — doesn't appear in a single notation, because of the list's logic.

Other apparent oddities are explained by Professor Bessembinder's application of the center's criteria. There are two companies on the list called AT&T, for example, neither capturing the total net wealth generated by an investment in the old American Telephone and Telegraph Company at its 19th century inception.

To start with, the "old" AT&T, a.k.a. "Ma Bell," is ranked 17th. It is said to have gone out of existence in November 2005. Another AT&T appears in the 33rd spot. That company came to life in March 1984 as Southwestern Bell, spun off from the old AT&T as a result of an antitrust suit. A descendant of Southwestern Bell bought the AT&T name in 2005 and operates under it today.

Other AT&T cousins are on the list: Verizon, as well as Comcast, which resulted from a merger between AT&T Broadband and an older company also known as Comcast.

The listings for most of the recently created companies are less tangled.

As I wrote in July, Amazon, which started trading in 1997, has soared to the 14th spot. Although it hasn't been in existence long compared with Exxon Mobil, its annualized return is the highest in the list, 37.4 percent through December. A group of young companies have also had remarkable results.

Facebook, which started trading in June 2012, is the youngest on the list, with an annualized return of 34.5 percent. Visa, which had its initial public offering of stock in 2008, is the second-newest company, with a 21 percent annualized return, followed by Alphabet (Google), ranked 11th with a 24.9 percent annualized return.

And then there is that great wealth machine, Microsoft, ranked as the third-greatest wealth creator. Since 1986, it has had an annualized return of 25 percent, making its founder, Bill Gates, the richest man in the world, with a net worth of more than $87 billion, according to Bloomberg.

No list of wealth-generating companies is complete without Berkshire Hathaway. It ranks 12th, just behind Alphabet, with an annualized return of 22.6 percent. By comparison, Exxon Mobil's annualized return was only 11.94 percent.

Why is Berkshire's annualized return so much higher?

It is because the return doesn't include decades of mediocre performance for the old textile company Berkshire Hathaway, which started in 1929. The Center for Research says the Berkshire on this list started in November 1976. It was a holding company for Warren E. Buffett, who guided it to fabulous gains. Thanks to Berkshire, Mr. Buffett is a rich man, with a net worth estimated by Bloomberg at $79 billion.

Anyone who invested in Apple or Microsoft or, really, in any of these companies at their inception and just held on did extraordinarily well. You might look at that record and conclude that you should just buy the best companies as a foolproof way to get rich.

If only it were that easy.

How do you find those companies? Not here.

"The problem is, I have no idea which companies will generate the best returns over the next 10 or 20 or 30 years, " Professor Bessembinder said.

"Probably it will be some companies we've never heard of. Maybe it will be companies that don't even exist now."

This list is worth studying for understanding the past. But, unfortunately, it's not a guide to the future, except for this: "In a market where most of the gains are attributable to a few big winners that are hard to identify in advance," Professor Bessembinder said, "it makes a lot of sense to diversify your position — to avoid the danger of omitting the big winners from your portfolio."

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