Greenrock Research Measures the Market by Sales ... Draft

WEALTHADVISOR

Greenrock Research Measures the Market by Sales and Sees a Historic Premium

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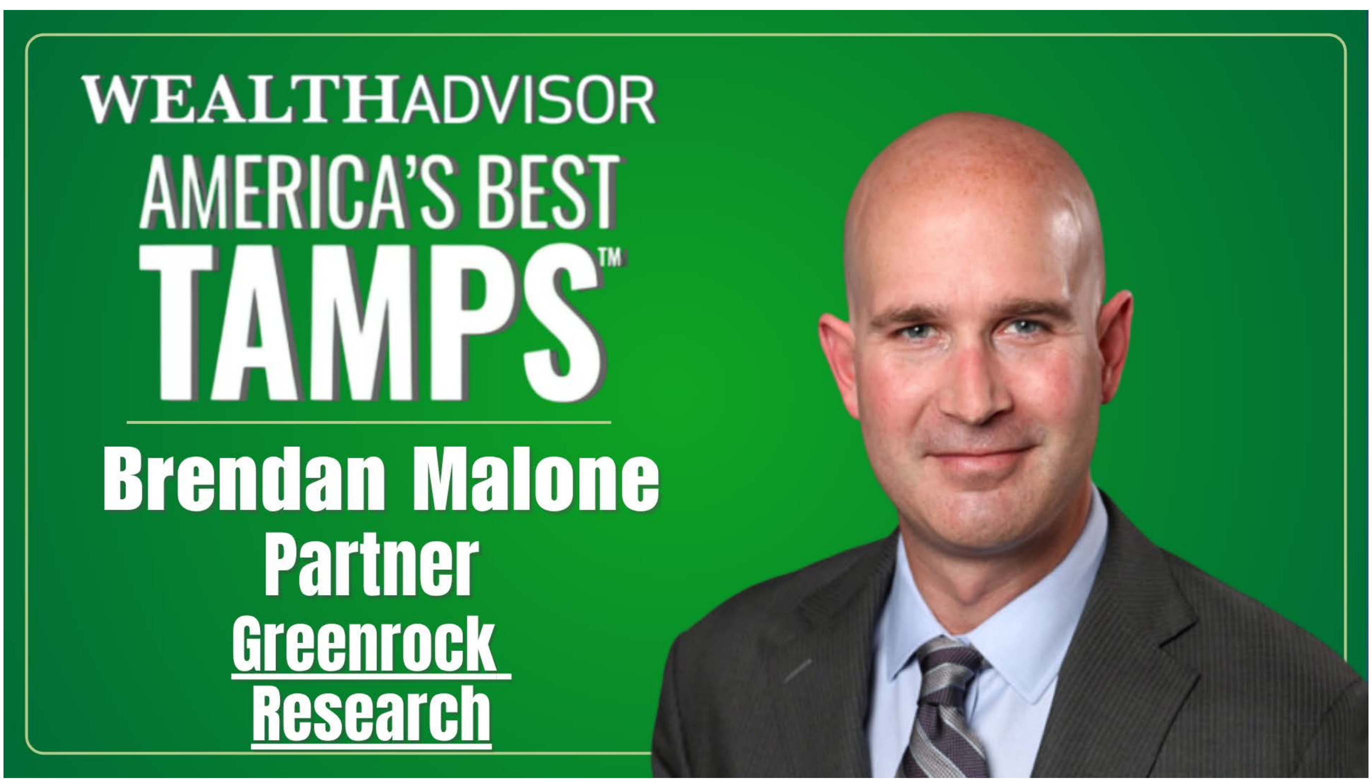
Greenrock Research is one of the newest names in America's Best TAMPs and the only outsourced chief investment officer in the group. The business itself is hardly new. The firm has served RIAs exclusively since 1996, growing from a single client firm into a national operation built largely through custodial referrals. What sets Greenrock apart is the market view driving its approach.

The firm sees a familiar problem in portfolios today. Assets that once provided meaningful diversification have become increasingly correlated, creating a risk-and-return trade-off that can look less attractive than a traditional model suggests. Greenrock's response runs in a different direction: no traditional fixed income, less exposure to U.S. large caps, private alternatives sized for both diversification and cash flow, and a small Bitcoin allocation. Portfolios are built client by client rather than pulled from a predetermined model set.

Speaking with *The Wealth Advisor*'s Scott Martin, Brendan Malone, Partner at Greenrock Research, argues that the traditional 60/40 portfolio is facing pressure on both sides, and that neither stocks nor bonds are positioned to carry the load.



The Valuation Case

Greenrock looks at market valuation through price-to-sales rather than price-to-earnings, largely because Malone believes earnings figures are easier to manipulate. By that measure, he notes, the S&P 500 had never traded above three times sales before 2024. This year marks the first time the index has remained above that threshold for an extended stretch, and the index trades near 3.67 times sales at the time of the conversation.

“That isn’t overvalued. It’s historically overvalued,” Malone says.

Exactly where the market is in its current cycle is harder to pin down, and Malone does not try. Instead, he points to a pattern that has emerged during previous technology-driven market runs, whether the catalyst was the internet, the cell phone, or the railroads. Markets eventually corrected for similarly elevated valuations, and the decade following the internet peak produced negative returns for the S&P.

“So, does it matter whether we’re in 98 or 99? I don’t think so,” he argues. “The correction for this is coming, whether it’s coming in three months or six months or 18 months. And a year’s worth of riding this wave, which is a dying wave here, is not going to be worth a decade of negative returns.”

Market breadth adds another layer to the concern. Over the past 12 months, AI has driven index returns in much the same way early internet and technology companies did in the late 1990s. For Malone, concentrated leadership suggests a market being carried by outsized gains in a small group of names rather than one benefiting from broad participation. A handful of stocks are surging while much of the index remains relatively flat.

The familiar counterargument is that transformative technology deserves a premium. Malone has heard the argument before. Each of the technologies behind previous market cycles genuinely changed the world, he says, but none kept markets rising indefinitely. Many of the companies driving returns today are already priced for near-perfect execution, leaving little room for disappointment when stocks trade at 30 times forward earnings.

“History doesn’t repeat, but it rhymes,” Malone continues. “I think we’re getting into a rhyming period again.”

Private-market valuations look even further removed from current fundamentals in Malone’s view. Asked about companies whose projected revenues exceed the money currently in circulation, he calls SpaceX’s reported multiple ludicrous based on current fundamentals.

“When SpaceX starts building data centers in space, come back to me and we can talk about that again,” he adds.

Fixed Income Without Bonds

When equity markets look vulnerable, bonds have traditionally been the place advisors turn for ballast. Greenrock moved away from the asset class roughly six to seven years ago, when the 10-year Treasury yield fell to 2%, and the firm has not gone back.

Instead, Greenrock uses a multi-asset solution designed around specific volatility targets. One portfolio carries volatility of approximately four, roughly matching the 10-year, while a second runs at seven. Malone says the approach has compounded at more than 5% annually over the past five years, a period when the bond market delivered negative returns.

He does not rule out returning to bonds altogether. For now, though, he sees little reason to make the move. With the Federal Reserve signaling no near-term cuts despite political pressure to lower rates, the upside looks limited. If rates stay where they are or move higher, the best available outcome is the coupon, and 4% is a nominal figure, before inflation. Malone also points to the downside. Should rates rise from here, he cautions, bond allocations carry the same risk of losses that produced negative returns over the past five years.

Advisors waiting for fixed income to recover may also be underestimating how long a difficult stretch can last. Malone cites the aftermath of the Great Depression, when rates fell to zero and fixed income failed to meet investors’ return needs for three decades.

"I wouldn't look at your portfolio and say, yeah, fixed income spent down, but it'll come back," Malone explains. "This might be a long period of time where fixed income is not performing for you. So even if it's been a couple years and you feel like you're through the worst of it, take another look at it and reach out to us."

Where Greenrock Finds Value

U.S. large-cap stocks are hardly the only place to look for equity exposure. Greenrock currently sees opportunities in small caps and international markets, both of which Malone credits with supporting portfolio performance in recent years without relying heavily on the AI trade.

International equities regularly prompt questions from RIAs about whether investing outside the U.S. introduces an additional layer of risk. Malone's view is that quality companies exist in both markets, while valuations abroad remain well below U.S. large-cap levels. The bigger challenge, he says, is finding the right managers. Greenrock's diligence process addresses that by interviewing everyone involved in a manager's investment process before making an allocation.

Private alternatives make up another piece of the portfolio. Malone frames the primary trade-off as liquidity rather than risk. The allocations give clients access to strategies unavailable in public markets while also generating cash flow that can help fill the role traditionally played by fixed income.

Bitcoin represents a smaller allocation. Greenrock first recommended the asset when its price was near $6,000, viewing its structure and natural scarcity as potential sources of diversification and long-term uncorrelated returns. Bitcoin sits roughly 50% below its highs at the time of the interview, a level of volatility Malone sees as part of the asset's history rather than a reason to abandon it.

"Every time it goes down, it's the end of Bitcoin, right? Bitcoin's going to zero," he says. "But it has not done that yet."

Institutional adoption and the growth of the ETF market have since made the case easier to defend, in his view, and Greenrock expects to remain invested.

“Because of its structure, we really like it as a long-term asset,” Malone adds.

Both allocations are standing positions rather than opportunistic additions. Malone describes Bitcoin as a small part of every client’s allocation and private alternatives as a portion of the portfolio that serves specific diversification and cash flow purposes, with sizing varying from one client to the next.

How the Relationship Works

Greenrock’s **RIA-only focus** is intentional. Working with a single client type removes the potential conflicts that can arise when a research provider also distributes products, while keeping growth closely tied to custodial referrals based on research rather than distribution arrangements.

The firm also builds portfolios individually rather than assigning clients to a set model. Some clients disagree with Greenrock’s market views on certain points and agree on others. Those conversations are part of the process, rather than something the team tries to work around.

Prospective clients often come to Greenrock with a specific problem, frequently an allocation to fixed income that no longer behaves like the preservation-oriented investment they expected. The firm responds with a full rundown of the advisor’s client portfolios along with background research on the practice itself, then presents what the advisor currently holds alongside what Greenrock believes they should hold. The analysis comes before any engagement and carries no cost.

Replacing fixed income can provide a natural starting point, but Malone encourages advisors to look beyond that one allocation once the conversation begins. The same question applies to equities: Can the solutions already in place reasonably be expected to perform through the market cycle Greenrock anticipates?

Malone also distinguishes Greenrock from firms that continually expand their investment menu to accommodate whatever clients happen to request.

“We are in the business to give you what we think about the markets and give you real **solutions** to the problems you and your clients are facing,” Malone maintains, “and provide consistent returns year after year, decade after decade.”

Additional Resources

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- **Meet the Team**
- **Greenrock Insights**
- **Quarterly Letters**