
EPISODE
399
THE GREAT
VALUATION DEBATE
Nucleus
Wealth

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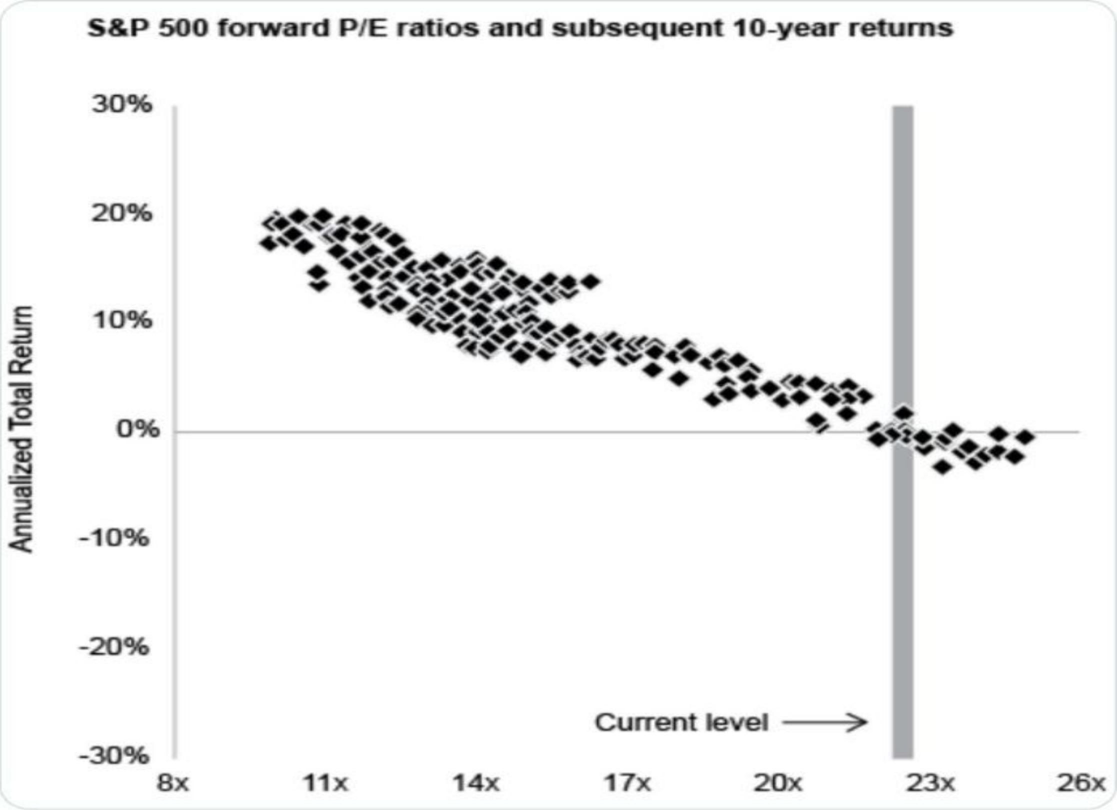
Agenda:

- Long term returns
- Shiller P/E
- Forward Ratios
- Split by Size

Valuations:

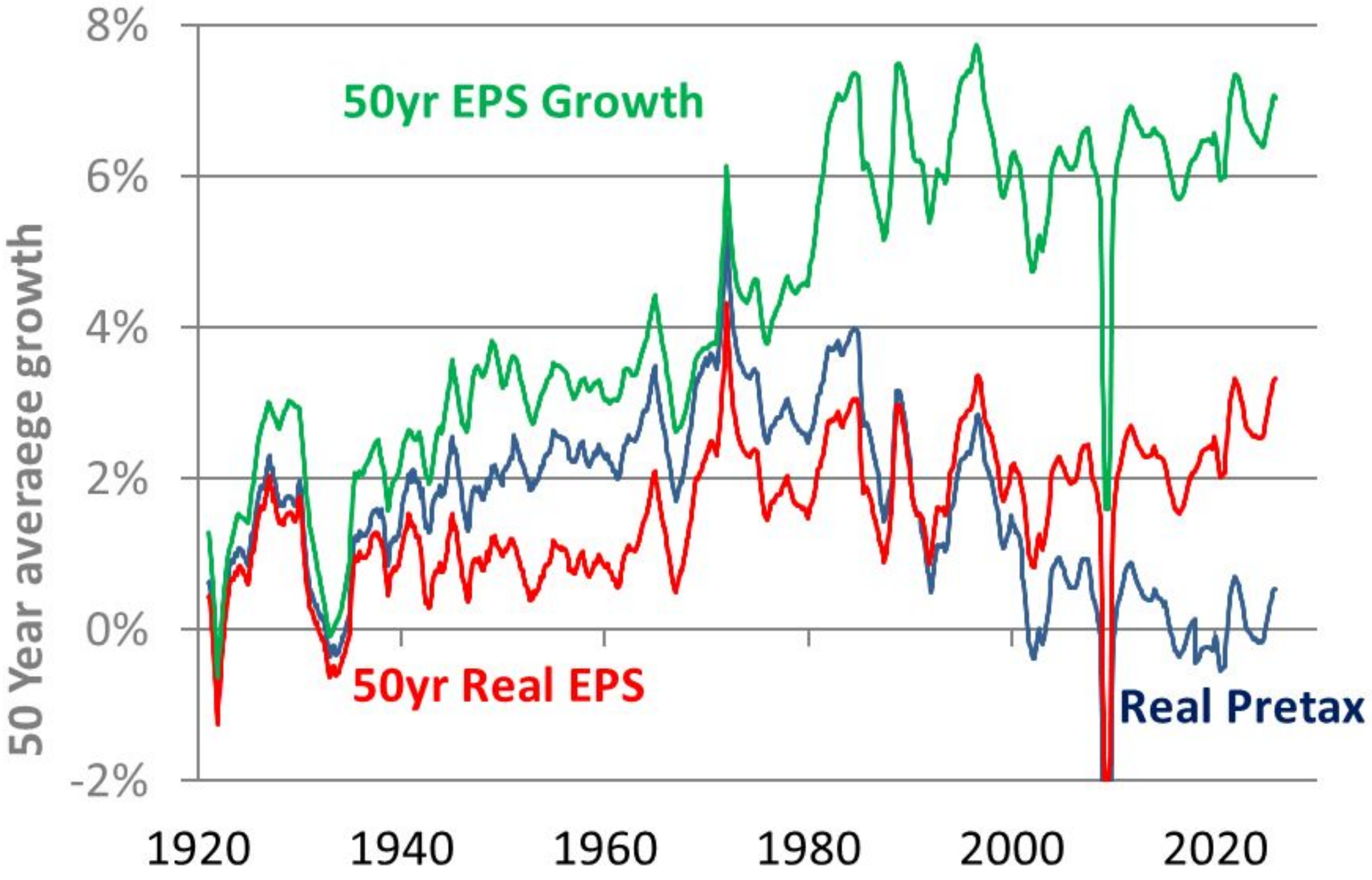


S&P 500 forward P/E ratios and subsequent 10-year returns
Annualized Total Return
30%
20%
10%
0%
-10%
-20%
-30%
8x
11x
14x
17x
20x
23x
26x
Current level

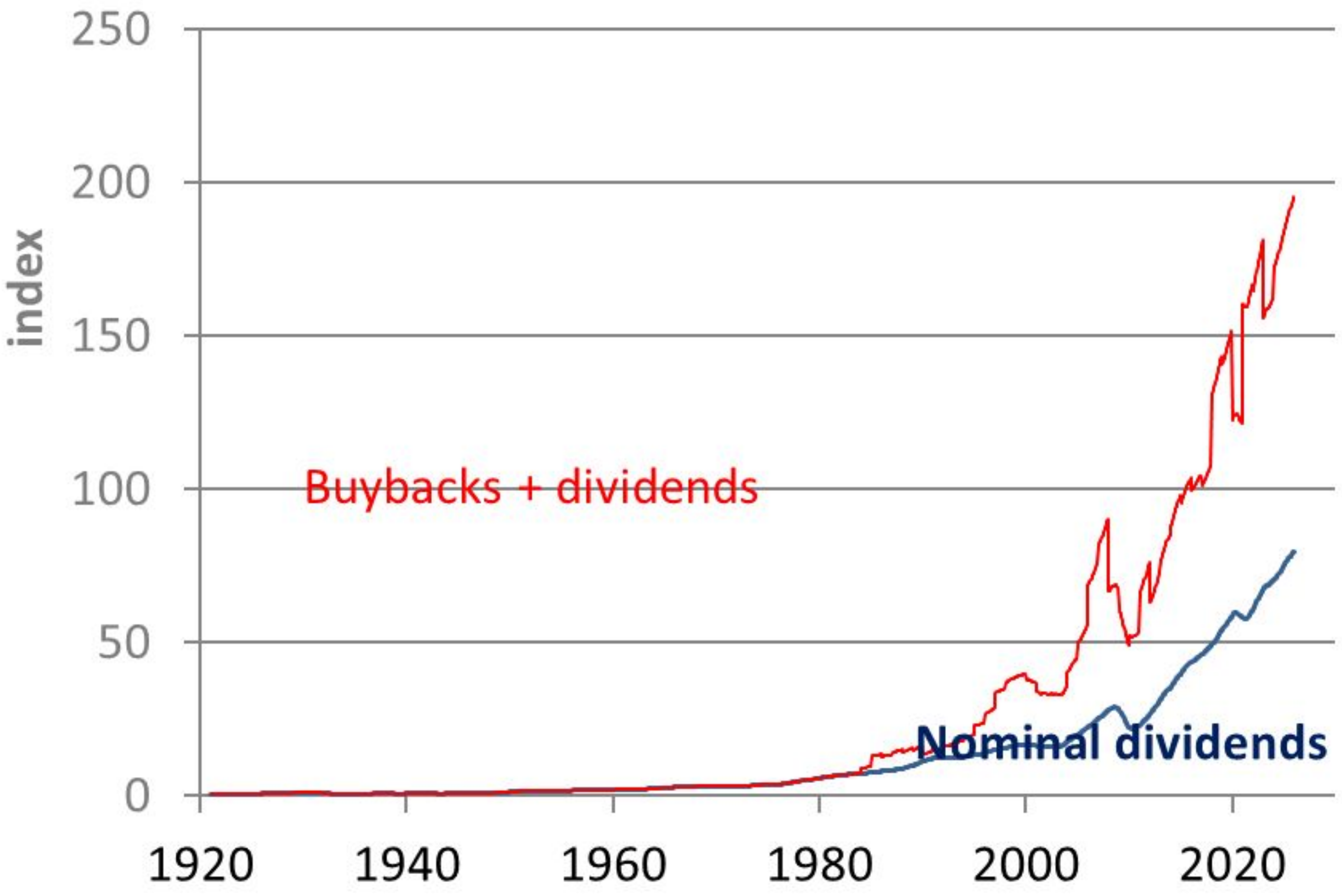
Long Term History:

- 125 Years of reasonable data
- Stocks = 4.5-6.5% above inflation = 7-9%
- Bonds = 1-3% above inflation = 3-5.5%
- Cash = -0.5% to +1% above inflation = 2-4%

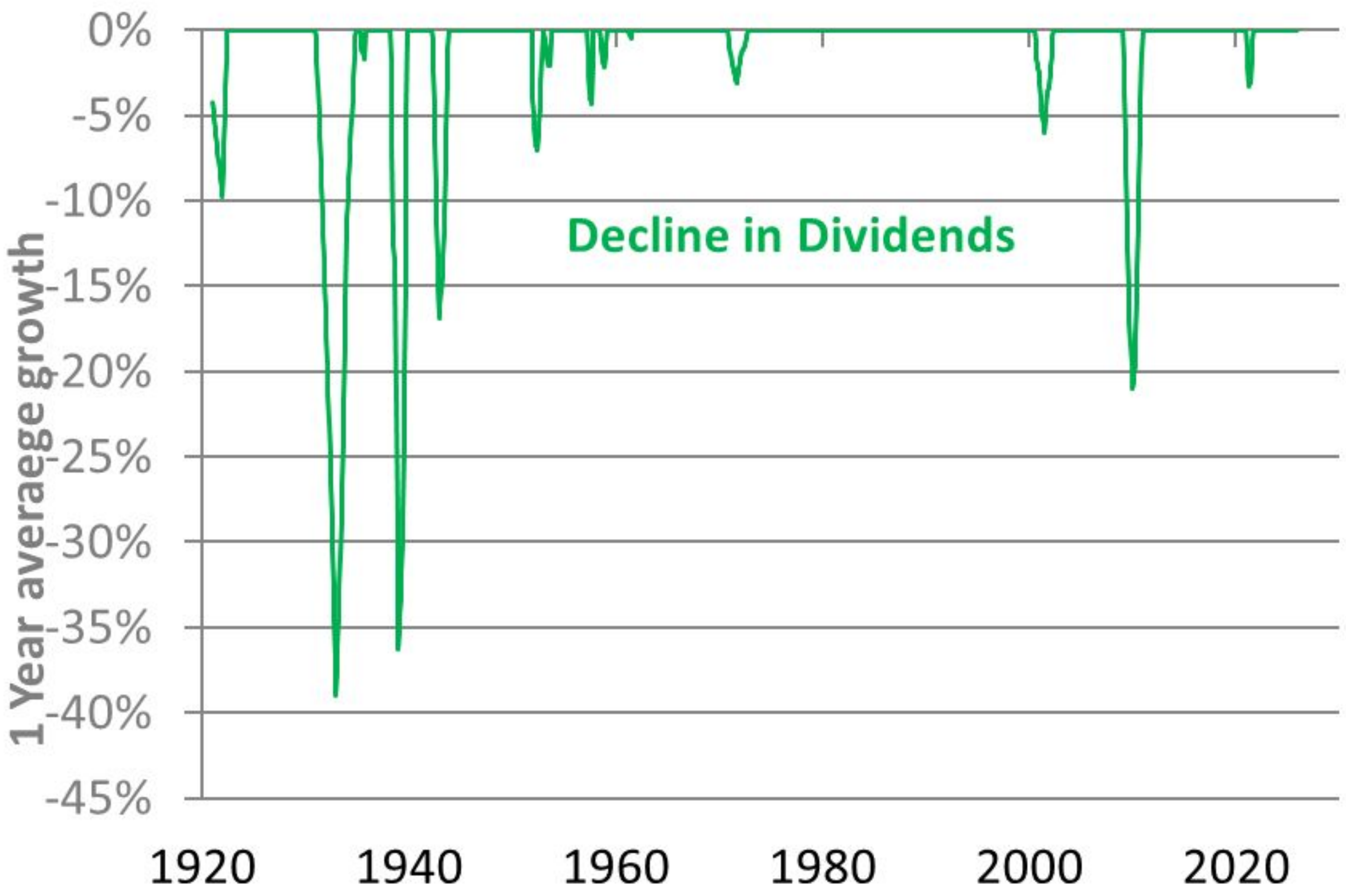
Long Term History:



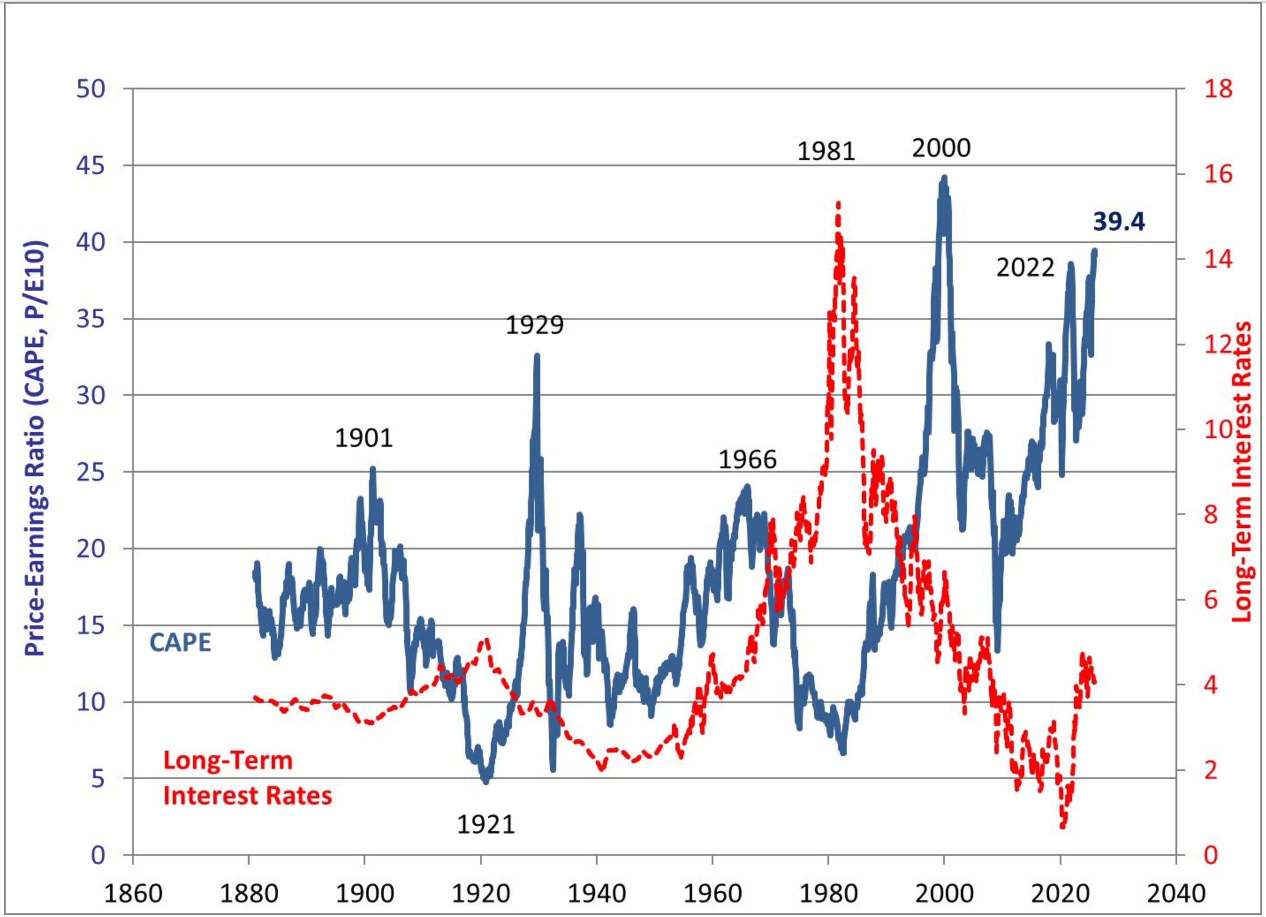
Long Term History:



Long Term History:

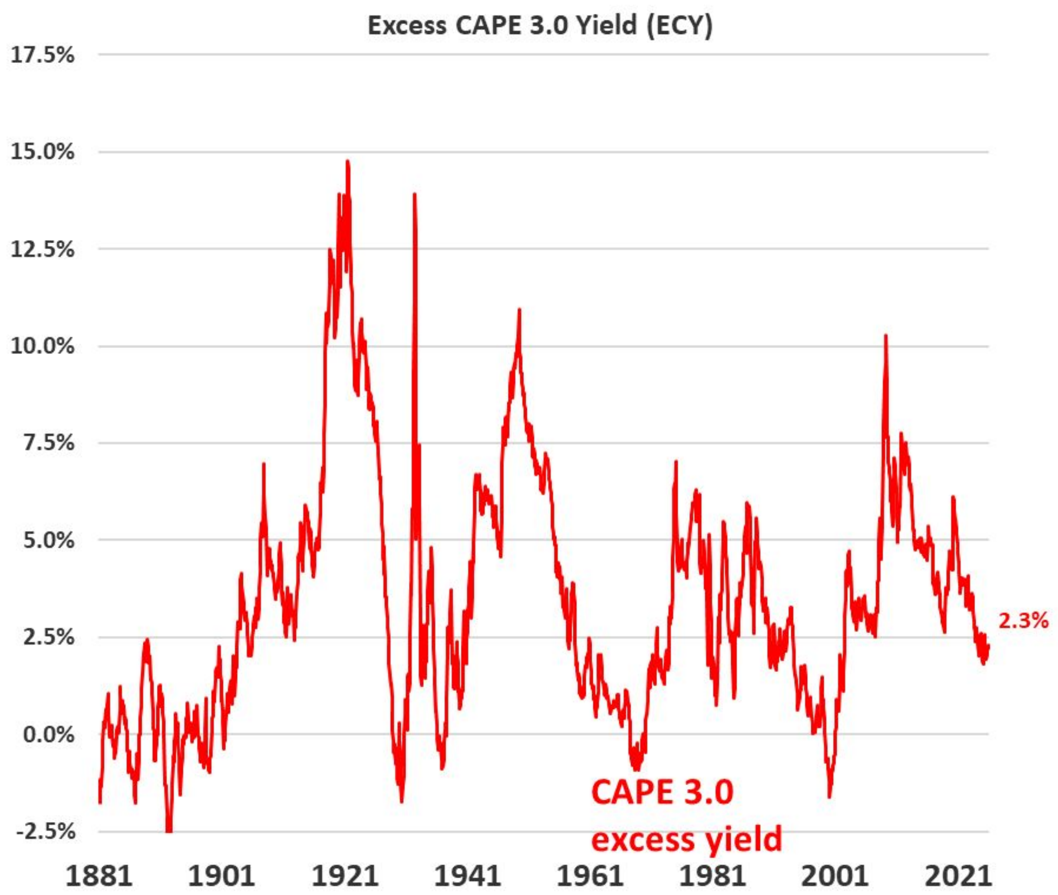


Shiller P/E:



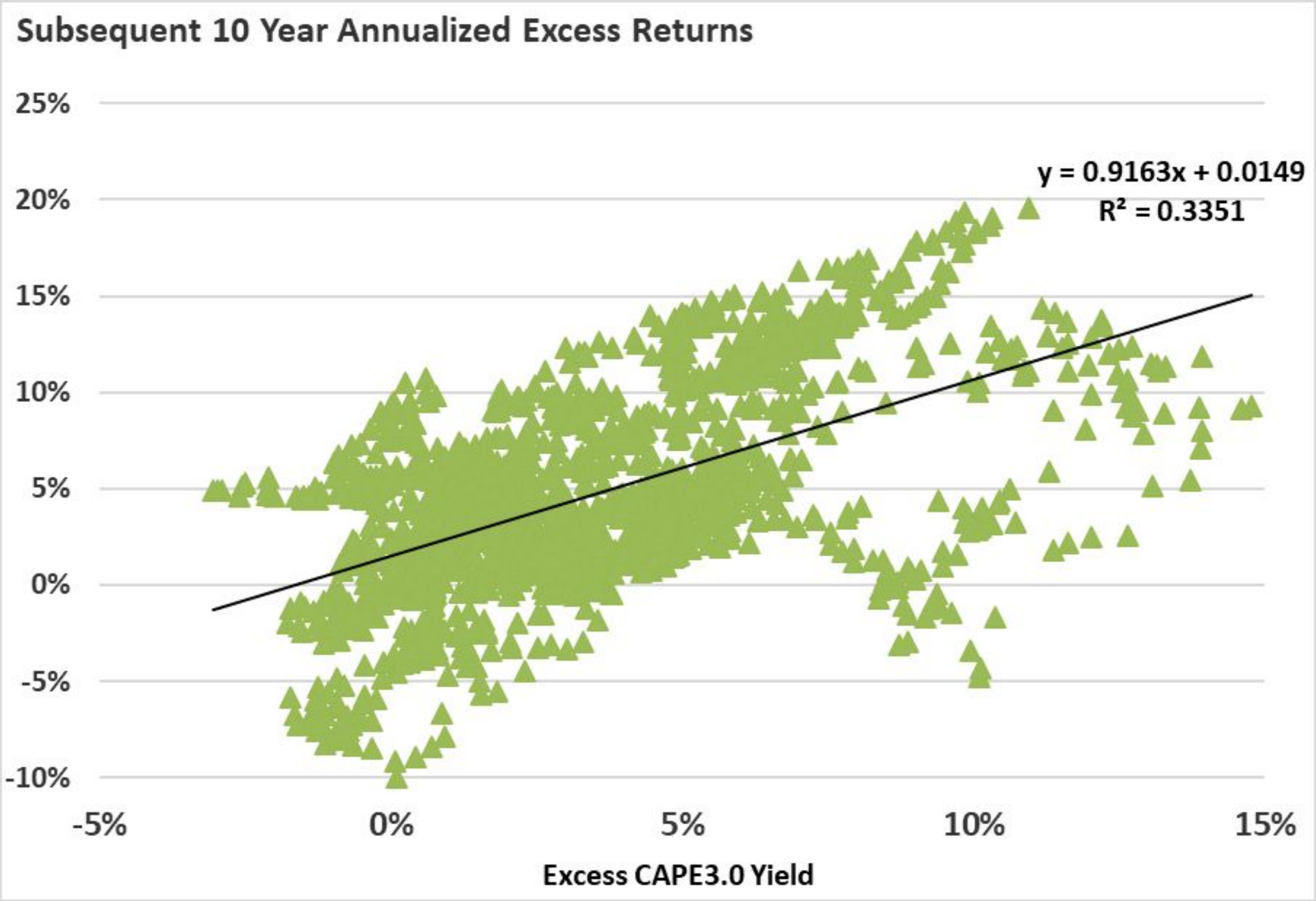
Price-Earnings Ratio (CAPE, P/E10)
Long-Term Interest Rates
50
45
40
35
30
25
20
15
10
5
0
18
16
14
12
10
8
6
4
2
0
1860
1880
1900
1920
1940
1960
1980
2000
2020
2040
1901
1929
1921
1966
1981
2000
2022
39.4
CAPE
Long-Term
Interest Rates

Shiller P/E:



Excess CAPE 3.0 Yield (ECY)
17.5%
15.0%
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
-2.5%
1881
1901
1921
1941
1961
1981
2001
2021
2.3%
CAPE 3.0
excess yield

Shiller P/E:



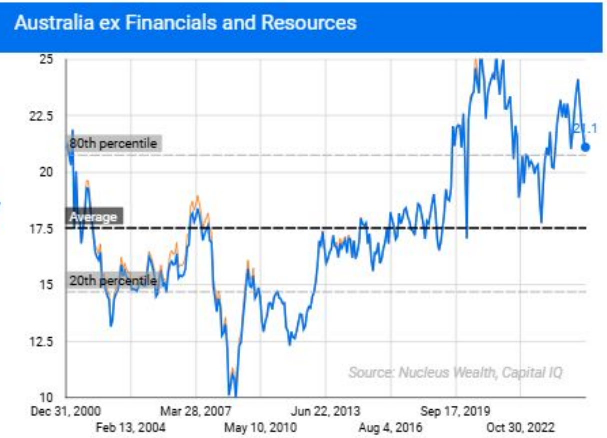
Subsequent 10 Year Annualized Excess Returns
25%
20%
15%
10%
5%
0%
-5%
-10%
-5%
0%
5%
10%
15%
y = 0.9163x + 0.0149
R² = 0.3351
Excess CAPE3.0 Yield

Forward P/Es:


Global 12m Forward Price to Earnings Ratio
80th percentile
Average
20th percentile
20.1


Global 12m Forward P/E ex Financials and Resources
80th percentile
Average
20th percentile
22.3
Source: Nucleus Wealth, Capital IQ


Australia 12m Forward Price to Earnings Ratio
Including Negatives
Excluding Negatives
Current
80th percentile
Average
20th percentile


Australia ex Financials and Resources
80th percentile
Average
20th percentile
Source: Nucleus Wealth, Capital IQ

Forward P/Es:

Source: Nucleus Wealth, S&P Capital IQ

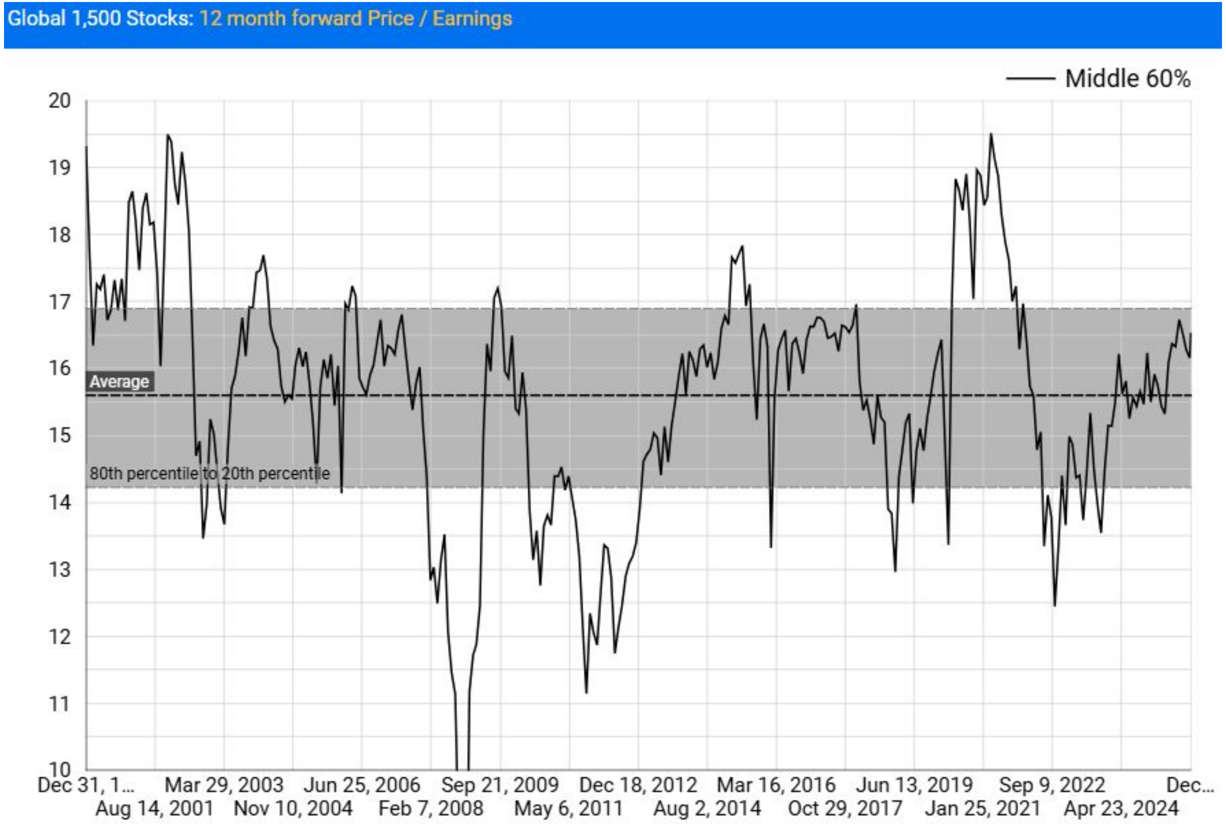
Source: Nucleus Wealth, S&P Capital IQ

Source: Nucleus Wealth, S&P Capital IQ

Source: Nucleus Wealth, S&P Capital IQ

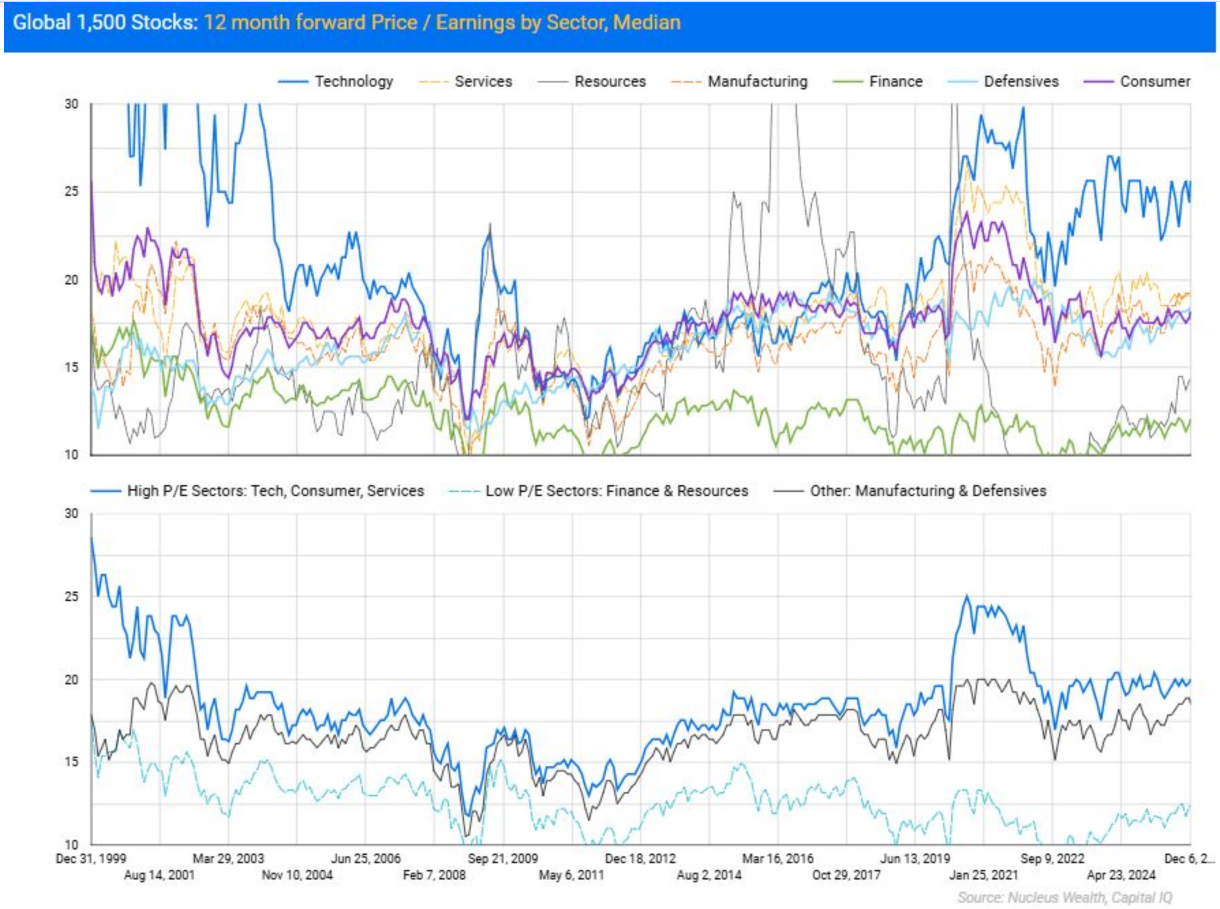
Split by Size:

Forward P/Es:



Source: Nucleus Wealth, Capital IQ

Split by Sector:



Investment Outlook:

Portfolio Segment	Target Sector/Type	Strategy	Rationale
Growth Exposure	Profitable AI (Core)	Hold quality AI firms funding expansion from internal cash flows.	Capture upside without overpaying for hype.
Leveraged Growth	“Pointy end” AI (Small exposure)	Selectively own high-risk, high-reward AI names with defined exit plans.	Participate if the boom extends another 12–24 months.
Value/Contrarian	Beaten-down sectors (e.g., vaccines, wind, select industrials)	Accumulate low-valuation, high-dividend stocks facing temporary headwinds.	Get paid to wait while sentiment normalizes.

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