



The World's Largest Companies

60 years from now, 88% of them might no longer exist

Every year, *Fortune* unveils its rankings of the world's 500 largest companies – the Fortune Global 500. And the list always creates buzz. Who made the list this year? Who's at the top? And the "I've never heard of that company, what do they do?" Let's explore the list.

From Fortune.com: The world's 500 largest companies generated \$30 trillion in revenues and \$1.9 trillion in profits last year. Together, the Fortune Global 500 companies employ 67.7 million people worldwide and are represented by 33 countries.

The Fortune Global 500 – The Top 10

1. Walmart
2. State Grid
3. Sinopec Group
4. China National Petroleum
5. Royal Dutch Shell
6. Toyota Motor
7. Volkswagen
8. BP
9. Exxon Mobil
10. Berkshire Hathaway

As you explore the list, a few themes likely jumped out you:

- First, do you have enough of an allocation to investments outside the United States?
- Second, did you realize that the Energy and Automobile sectors were so huge?

The Fortune 500

Fortune also has an annual ranking of the biggest revenue generators in the U.S. and this year's Fortune 500 companies represent two-thirds of the U.S. GDP – with \$12 trillion in revenues, \$840 billion in profits, \$17 trillion in market value, and 27.9 million employees worldwide. Here are the Top 10:

1. Walmart
2. Exxon Mobil
3. Apple
4. Berkshire Hathaway
5. McKesson
6. UnitedHealth Group
7. CVS Health
8. General Motors
9. Ford Motor
10. AT&T

The U.S. – China Race

For much of the past year, the world has watched as trade tensions between the U.S. and China have increased. And you might be surprised to know, but the 10 largest publicly traded companies are split evenly between the two economic super-powers and are dominated by the banks:

1. ICBC
2. China Construction Bank
3. JPMorganChase
4. Berkshire Hathaway
5. Agricultural Bank of China
6. Bank of America
7. Wells Fargo
8. Apple
9. Bank of China
10. Ping An Insurance Group

What Does This All Mean?

As a financial advisor, there are a few takeaways from this list.

The first is that most investors would do well by ensuring they have an allocation to markets outside the U.S. – so long as such an allocation was consistent with their risk profile.

Next, big doesn't always translate into healthy returns. Sure, the list of the world's largest companies is dominated by Energy companies, but the Energy Sector was the worst performing sector in 2014 and 2015 and the second worst performer in 2017 (behind Telecommunications).

Finally, while these lists don't dramatically change year-to-year, the profitability, stock price and outlook for the companies on the list do change.

Professor Mark Perry, an economics and finance professor at the University of Michigan, compared the Fortune 500 list from 1955 to 2016 and here is what he found:

- Comparing the 1955 *Fortune 500* companies to the 2016 *Fortune 500*, there are only 60 companies that appear in both lists
- In other words, only 12% (and fewer than 1 in 8) of the *Fortune 500* companies in 1955 were still on the list in 2016
- More than 88% of the companies from 1955 have either gone bankrupt, merged with (or were acquired by) another firm, or they still exist but have fallen from the top *Fortune 500* companies (ranked by total revenues)

Professor Perry further suggests that “it’s reasonable to assume that when the Fortune 500 list is released 60 years from now, almost all of today’s Fortune 500 companies will no longer exist as currently configured, having been replaced by new companies in new, emerging industries, and for that we should be extremely thankful.”

It is hard to argue with his logic.