

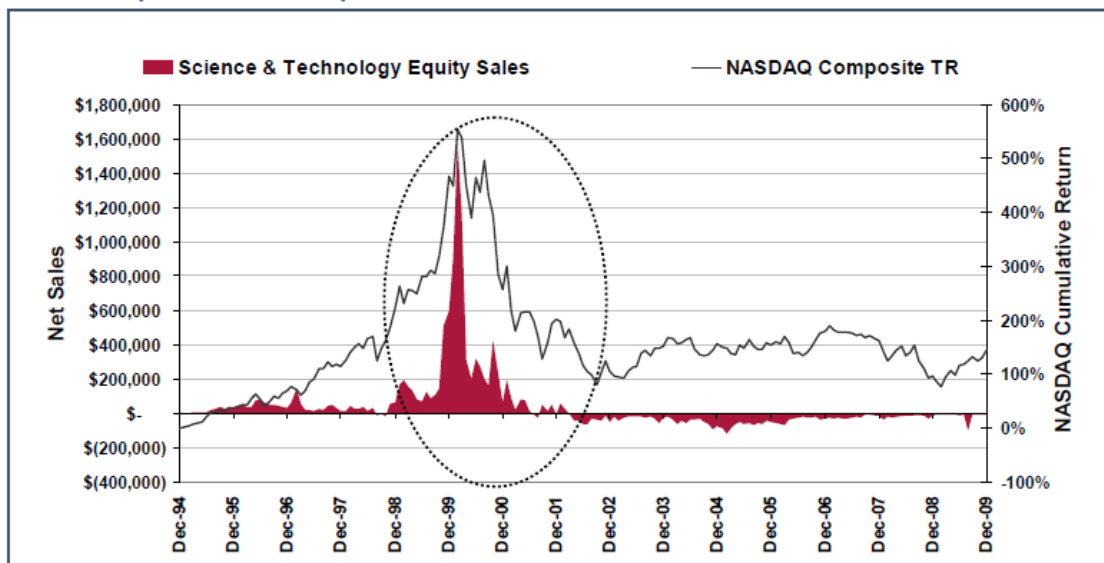
“Investing is simple, but not easy.”

-Warren Buffett

- The obsession with achieving the best returns gets in the way of doing well as an investor. In a world where the financial industry makes forecasts, encourages random change, and makes wild claims about the future, there is a temptation to abandon well laid out plans during inevitable stock market corrections or when one’s investment strategy underperforms. Investors are pressured to believe, “I should be doing something!”
- The investor behavior penalty, selling low and buying high, is the greatest cost investors face, and decreases returns more than fees and taxes. We are humans, not androids, and humans are susceptible to emotions like fear and greed.

The graph below shows that investors piled into technology (indicated by the red area) as the market topped (indicated by the blue line).

### NASDAQ Performance & IFIC Science & Technology Equity Sales (1994 – 2009)

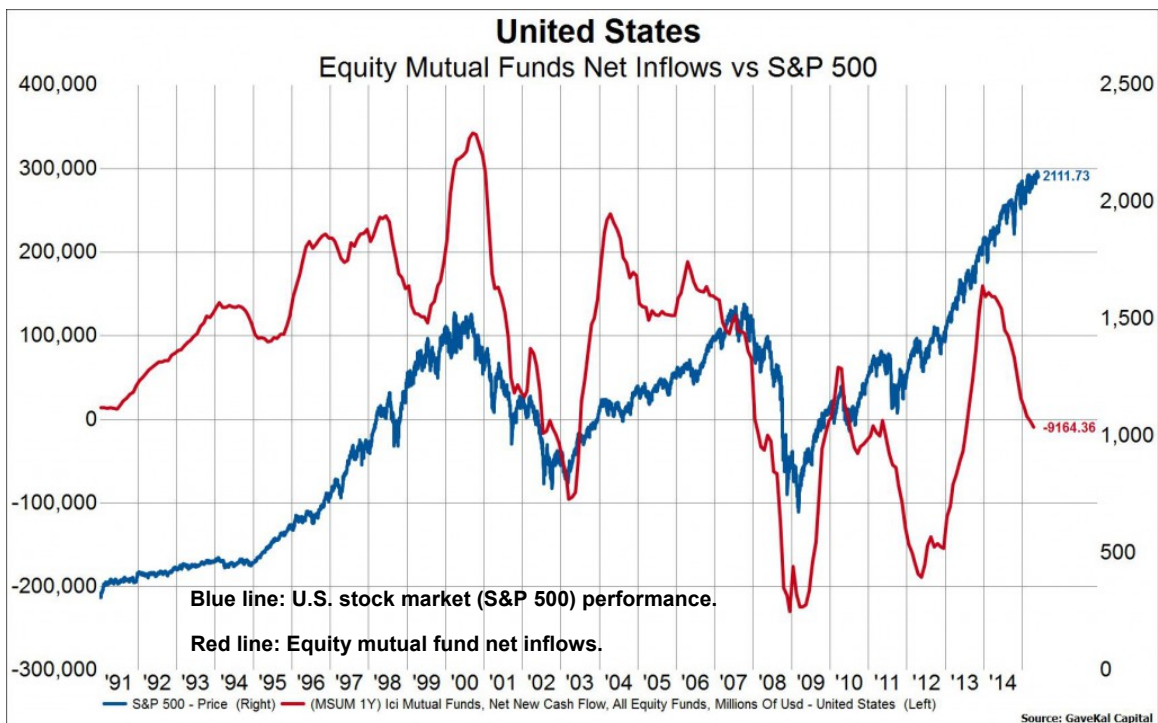


Source: Bloomberg, IFIC

Once the market collapsed, the fallout and redemptions continued for the next 10 years. The winning investment sector of the mid to late '90s turned out to be a surefire way to lose money because of investors' behaviour - performance chasing into the highs, and then selling out during the lows.

**This has also been true of the stock market in general:**

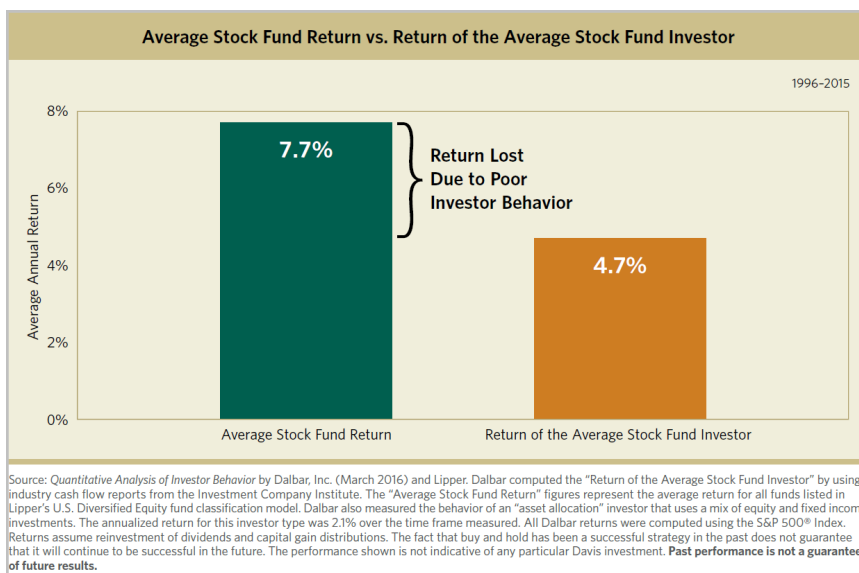
As the chart directly below illustrates, in general (although 2014 was contradictory), investors have a tendency to sell stocks (the falling red line) at market bottoms (the falling blue line) and reinvest as markets rise.



Source: blog.gavekalcapital.com

**The Results?**

- In their attempt to do better, investors as a group underperform the actual investments they own by almost 3% per year.
- Investors would have been better off by almost 3% per year by owning the average fund and doing nothing, as opposed to breaking their well laid out plans.
- **Strategy Matters: Behaviour Matters More!**



Source: Davis Advisors, *Timeless Wisdom for Creating Long-Term Wealth*

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