MARCH NEWSLETTER

THE FAMILY HERITAGE TRUST COMPANY

PERSPECTIVES

Dimensional

3 Common Investing Mistakes

FEB 22, 2024

Many people start out managing their own investments. But as their earnings and assets grow, their financial needs and challenges become more complex—and continuing to go it alone could prove costly in terms of investing miscues. Consider three common mistakes that can reduce returns and increase anxiety:

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1. TRYING TO TIME THE MARKET

Investors may be tempted to cash out of the stock market to avoid a predicted downturn. But accurately forecasting the market's direction to time when to buy and sell is a guessing game. Missing only a brief period of strong market performance can drastically affect your lifetime wealth.

For example, the chart below shows a hypothetical investment in the Russell 3000 Index, a broad US stock market benchmark. Over the entire 25-year period ending December 31, 2023, a $1,000 investment in 1999 turned into $6,449. But what if you pulled your cash out at the wrong time? Missing the best week, month, three months, or six months would have significantly reduced the growth of your investment.

The Cost of Missing the Best Consecutive Days

Russell 3000 Index total return, 1999-2023

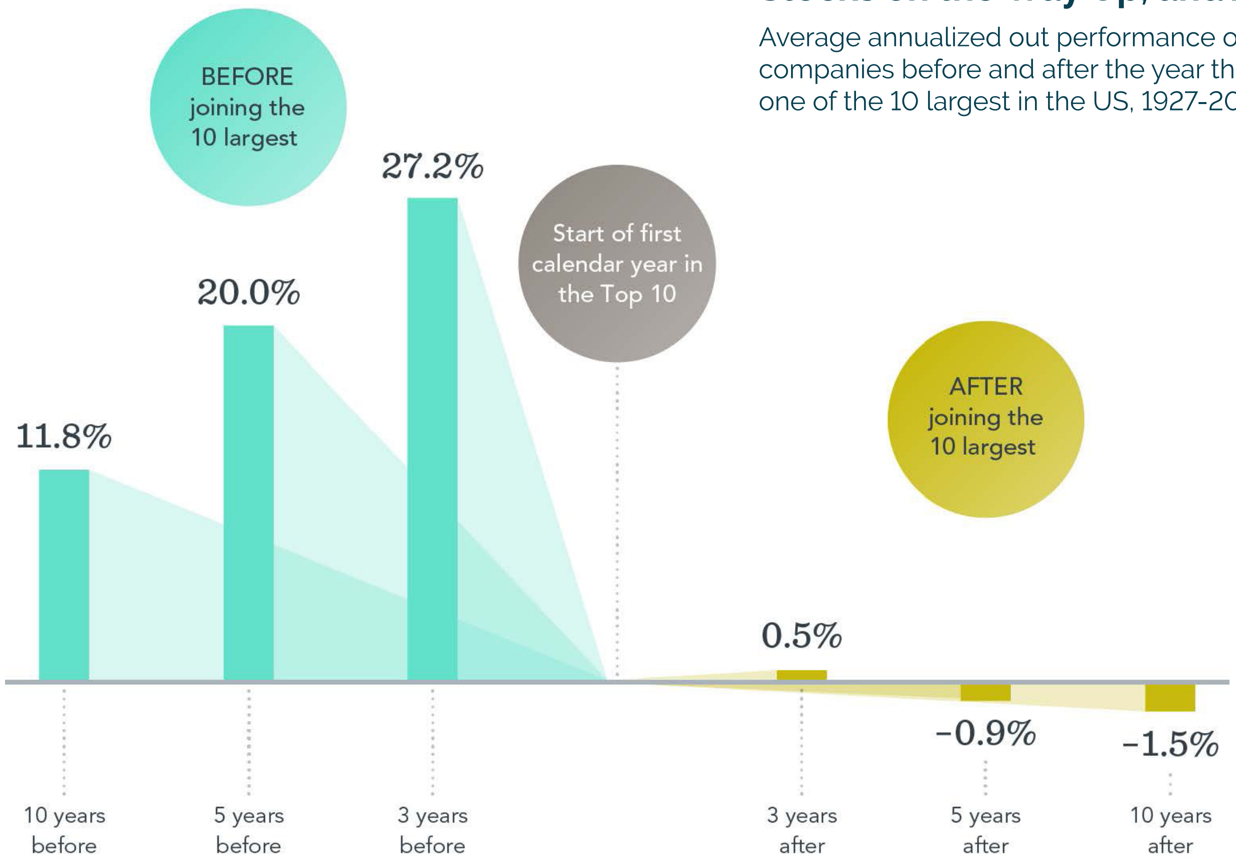
Rather than trying to predict when stocks will rise and fall, investors can hold a globally diversified portfolio— and by staying invested, be better positioned to capture returns whenever and wherever they occur.

2. FOCUSING ON THE HEADLINES

Investors may become enamored with popular stocks based on recent performance or media attention—and overconcentrate their portfolio holdings in these companies. One example is the rise of the large US technology companies known as the Magnificent 7 (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla). But the chart below shows that many fast-growing stocks have stopped outperforming after becoming one of the 10 largest stocks in the US. On average, companies that outperformed the market on the way up failed to outperform in the years after making the Top 10 list.

Stocks on the Way Up, and After

Average annualized out performance of companies before and after the year they became one of the 10 largest in the US, 1927-2023



Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

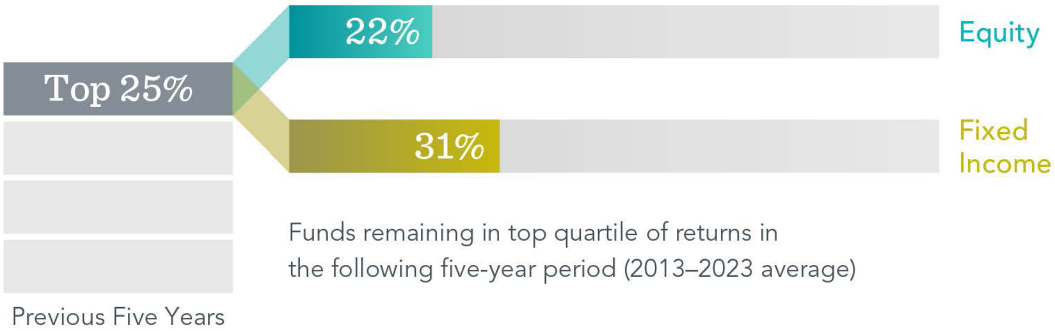
In USD. For illustrative purposes. Best performance dates represent end of period (November 28, 2008, for best week; April22, 2020, for best month; June 22, 2020, for best three months; and September 4, 2009, for best six months). The missedbest consecutive days examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best consecutive days, held cash for the missed best consecutive days, and reinvested the entire portfolio in the Russell 3000 Index at the end of the missed best consecutive days. Data presented in the growth of $1,000 exhibit is hypothetical and assumes reinvestment of income and no transaction costs or taxes. The data is for illustrative purposes only and is not indicative of any investment. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

The lesson? Rather than loading up on a handful of stocks that have dominated the market, you can own many stocks through mutual funds or ETFs. Diversifying across industries and global markets can help reduce overall risk and position investors to potentially capture the returns of future top-performing companies.

3. CHASING PAST PERFORMANCES

You might be inclined to select investments based on past returns, expecting top-ranked funds to continue delivering the best performance. But can they maintain that outperformance? Research shows that most funds ranked in the top 25% based on five year returns didn't remain in the top 25% in the next five years. In fact, only about one in five equity funds stayed in the top-performing group, and only about a third of fixed income funds did. The lesson? A fund's past performance offers limited insight into its future returns.

Percentage of Top-Ranked Funds that Stayed on Top



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See Disclosures for more details regarding the analysis.

WORKING WITH AN ADVISOR

Avoiding these mistakes can improve the odds of reaching your long-term investment goals. But, as a do-it-yourself investor, you'll have to manage the challenge alone. A qualified financial advisor can offer deeper expertise and insights that lead to better financial habits.

But the potential benefits go beyond just helping you avoid a bad decision. An advisor can design a diversified, research-backed investment strategy based on your long-term goals and comfort level with risk. Equally important, you can look to a seasoned professional for guidance through different markets. By walking with you on the journey, an advisor can encourage the discipline essential to building wealth over time.