THE SUCCESSFUL INVESTOR

01 TIMING THE MARKET THE WRONG WAY

02 BIG DECLINES OFFER BIG OPPORTUNITIES

03 YOUR FEELINGS DON'T REALLY MATTER

04 DO NOT FORGET ABOUT BONDS

05 A GOOD KIND OF "FOMO"

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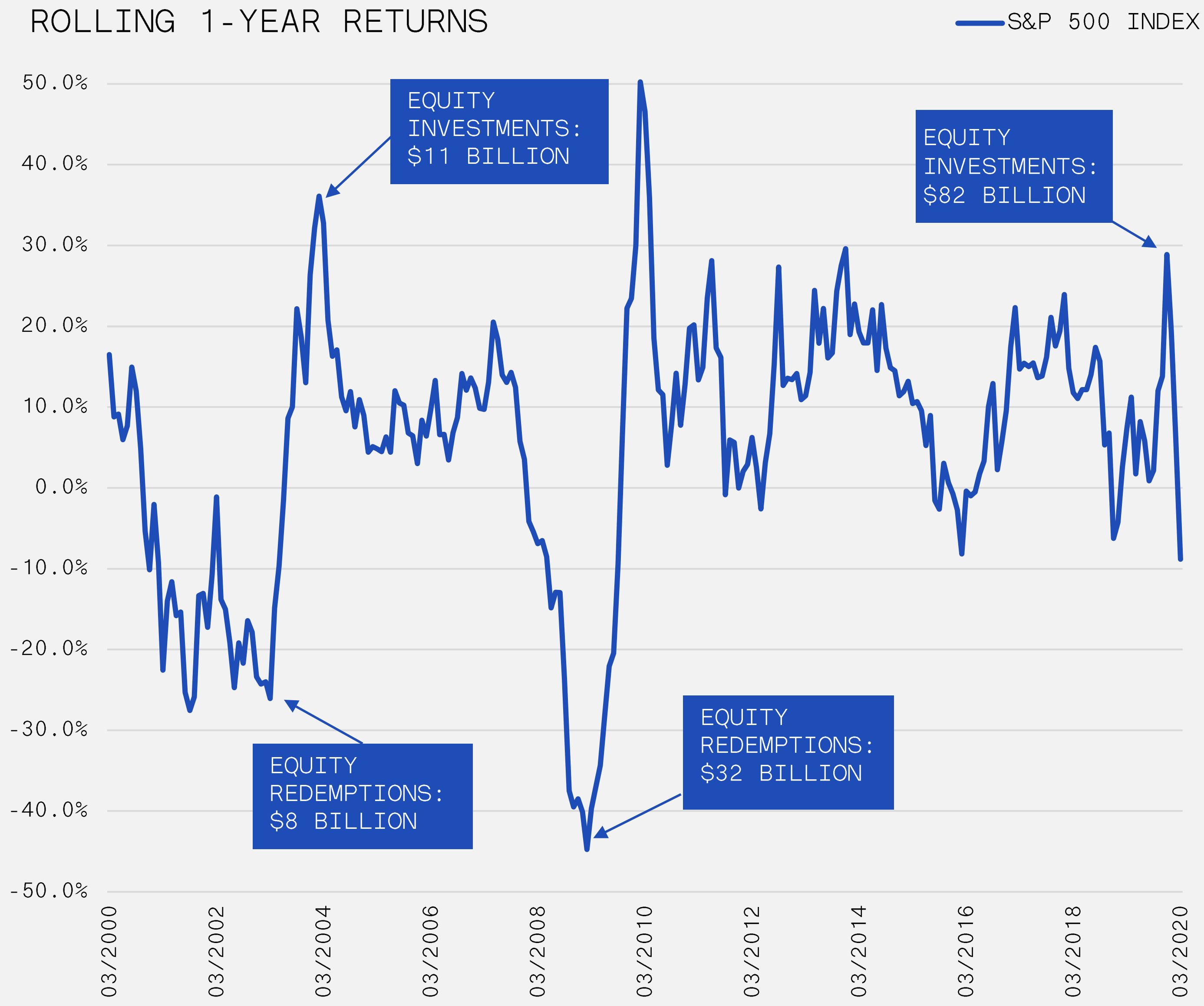
TIMING THE MARKET THE WRONG WAY

Investors want to believe that the winning securities in the past will continue to be winners in the future. However, chasing past performers often leads to poor future results because it encourages buying high and selling low.

The following chart illustrates that individual investors have an incredible propensity for timing the market badly. Investors should never become influenced by headlines or emotions. Whether the environment is turbulent or profitable, rational decisions originate from self-discipline and a commitment to an investment plan.



Source: Bloomberg, Net inflow/outflows for all US equities

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BIG DECLINES OFFER BIG OPPORTUNITIES

The stock market is a "forward-looking mechanism", meaning it is estimating prices for stocks today based on reasonable expectations for at least six months into the future. So, staying invested or dollar-cost averaging is more effective for growing wealth than fearing volatility and short-term price declines.

The following chart illustrates that history reveals a common and reassuring pattern; a big drop is followed by a long and profitable bounce.

BEAR MARKET VS BULL MARKET

START DATE	LENGTH (MONTHS)	BEAR MARKET	BULL MARKET
May-1970	31.6		84.0%
Jan-1973	20.7	-39.7%	
Oct-1974	73.9		132.9%
Nov-1980	20.4	-12.8%	
Aug-1982	60.4		337.0%
Aug-1987	3.3	-34.7%	
Dec-1987	31.4		88.7%
Jul-1990	2.9	-20.3%	
Oct-1990	113.4		492.2%
Mar-2000	30.5	-31.4%	
Oct-2002	60.0		117.7%
Oct-2007	17.0	-51.8%	
Mar-2009	131.4		491.9%
Feb-2020	1.2	-27.6%	

Source: Bloomberg. S&P 500 Dow Jones indices as of market close on March 25, 2020

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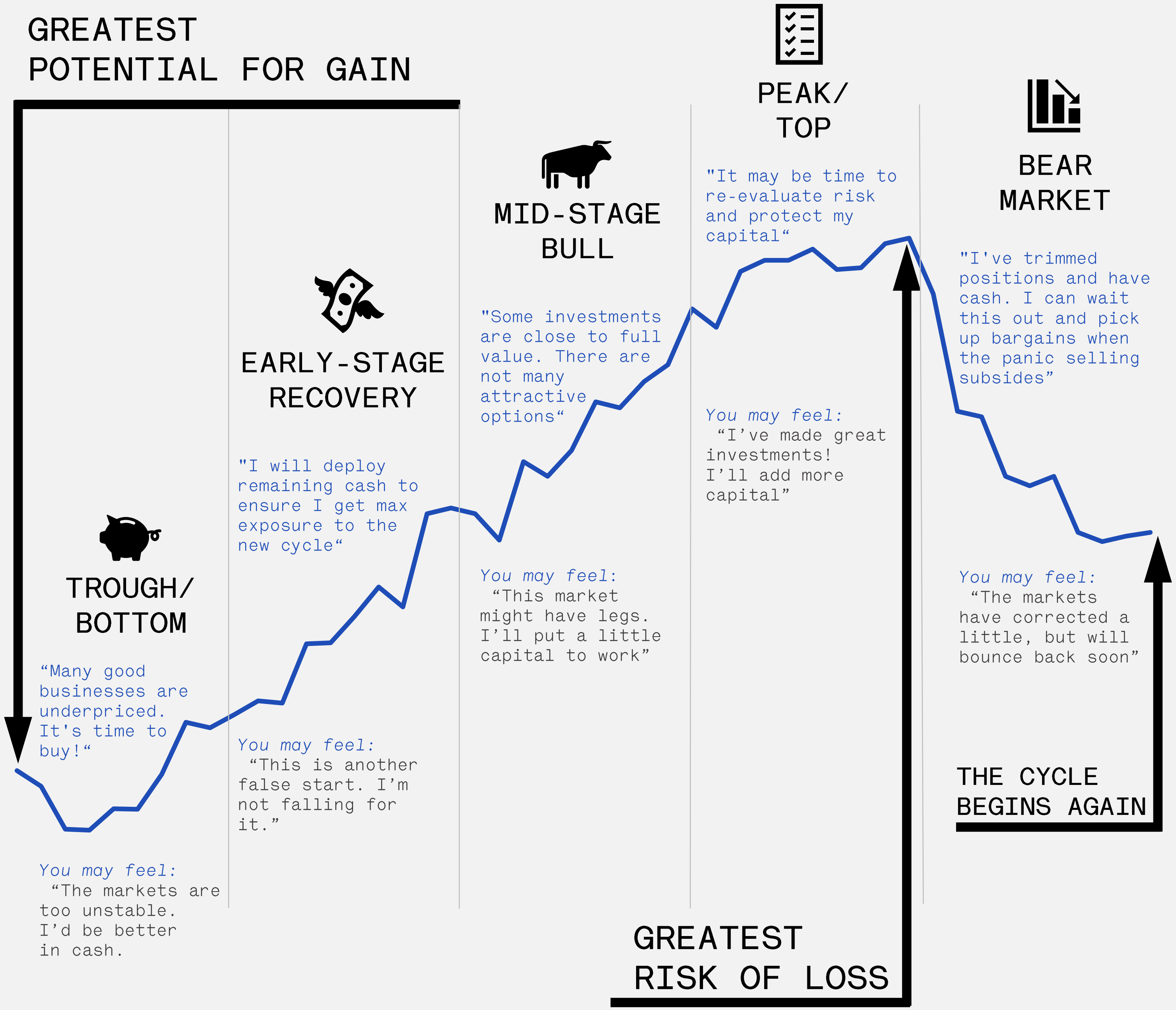
YOUR FEELINGS DON'T REALLY MATTER

The study of Behavioral Finance explains how investors make irrational decisions as it relates to money and investing. Rational behaviour implies that investors seek only to maximize returns, but in reality, emotions and psychological factors interfere with prudent decisions. Irrational behaviour is a person buying Bitcoin at an all-time high near $20,000 in December 2017, when they didn't really understand what it is but they were sure it was going to be higher tomorrow. It is currently priced at about US$7,500.

The following illustration shows the emotional responses during an investment cycle. These forces often play a bigger role than the fundamentals that underly an investment.



Source: Invesco. For illustrative purposes only.

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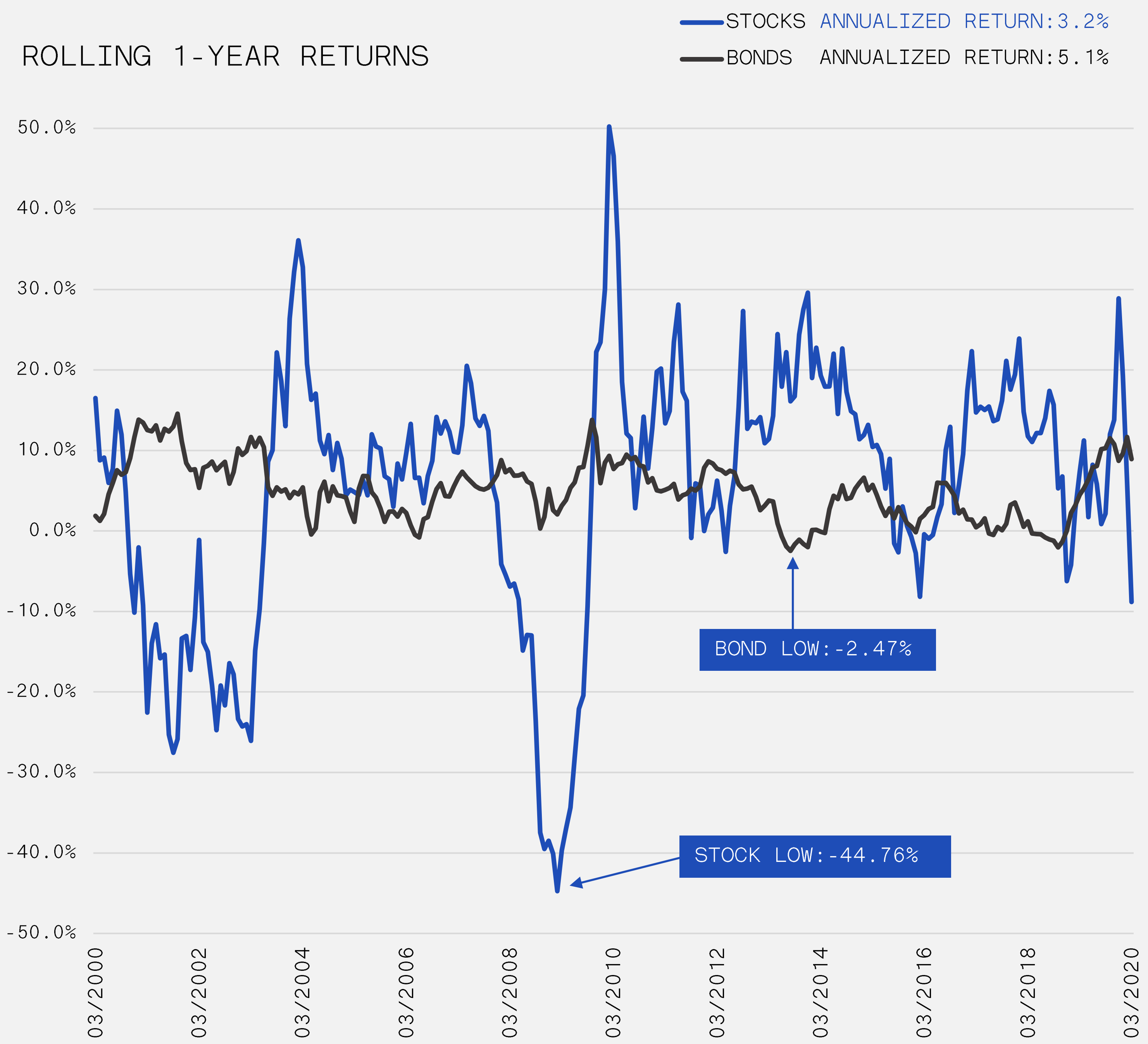
DO NOT FORGET ABOUT BONDS

Do not ignore the significance of the traditional roles performed by bonds in a portfolio; to earn regular income, protect capital and to reduce portfolio volatility.

From a portfolio perspective, bonds can help you lose less when stock markets collapse, which allows you to have more capital working for you when the market recovers. Bonds provide an opportunity to re-balance during extreme periods, so you can sell the asset class that has performed well and buy stocks that have become cheaper. Re-balancing encourages you to sell high and buy low.

The following chart illustrates that slow and steady returns have outperformed risky and volatile returns over the last 20 years.



Source: Stocks: S&P 500 Index, Bonds: U.S. Bond Aggregate Index

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A GOOD KIND OF "FOMO"

There is always a reason to choose not to invest your money now. Every calendar year has a down period for the stock market and every year has an excuse why things are going to get really bad. Therefore, we understand that it can be tempting to wait for the markets to settle down.

The following chart shows that missing the stock market's best days can result in outcomes being significantly inferior to those who enjoy the best days and tolerate the most miserable days.

Investors need to see beyond the prospect of a short-term loss to participate in the opportunity for long-term potential gains.

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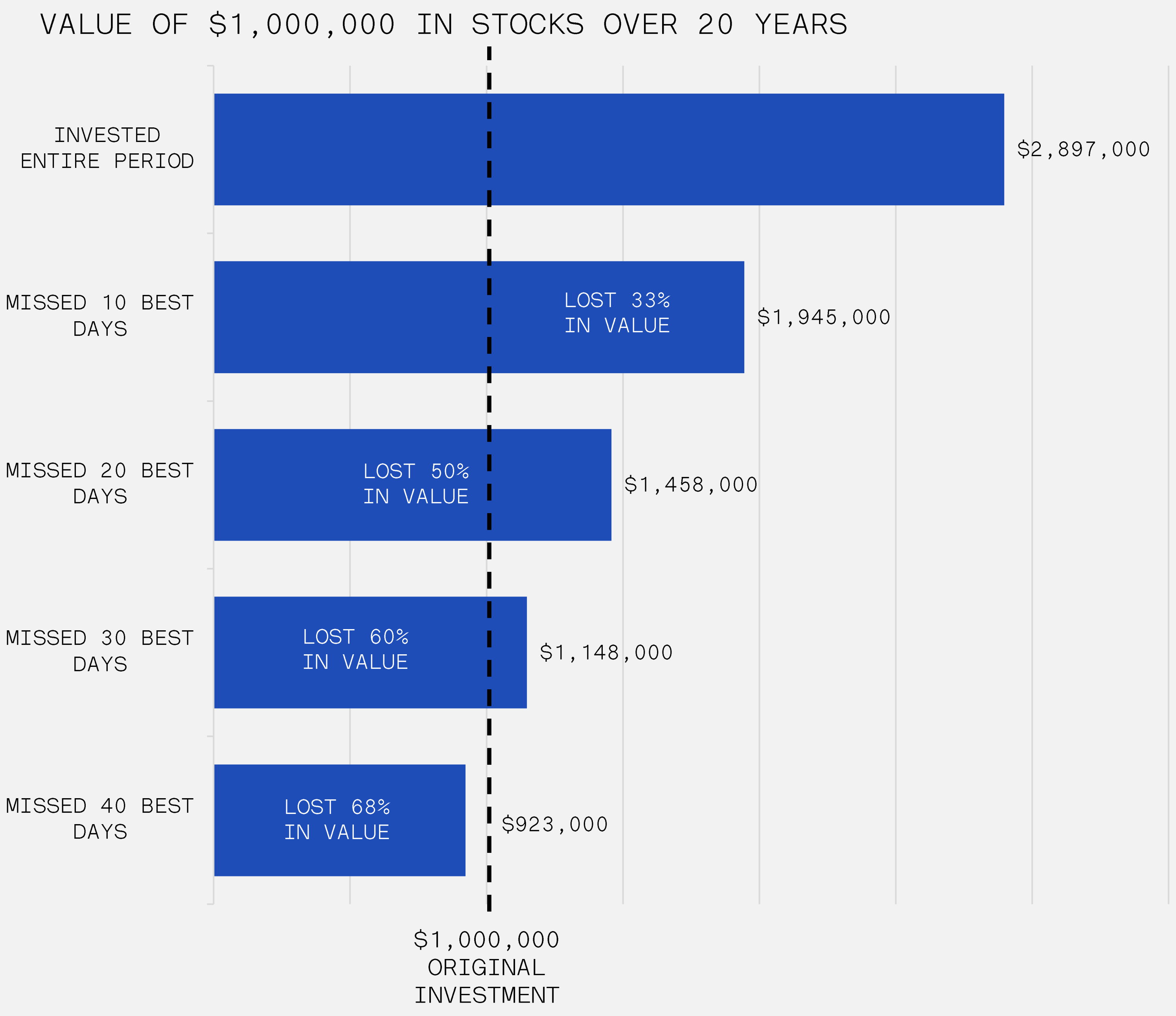

Source: RIMES, Standard & Poor's, Stocks: S&P 500 as of 12/31/2019