



DIVIDEND ASSETS CAPITAL, LLC

INVESTMENT ADVISORS

## DAC Insights: Human Emotion & Investing... The Enemy Within

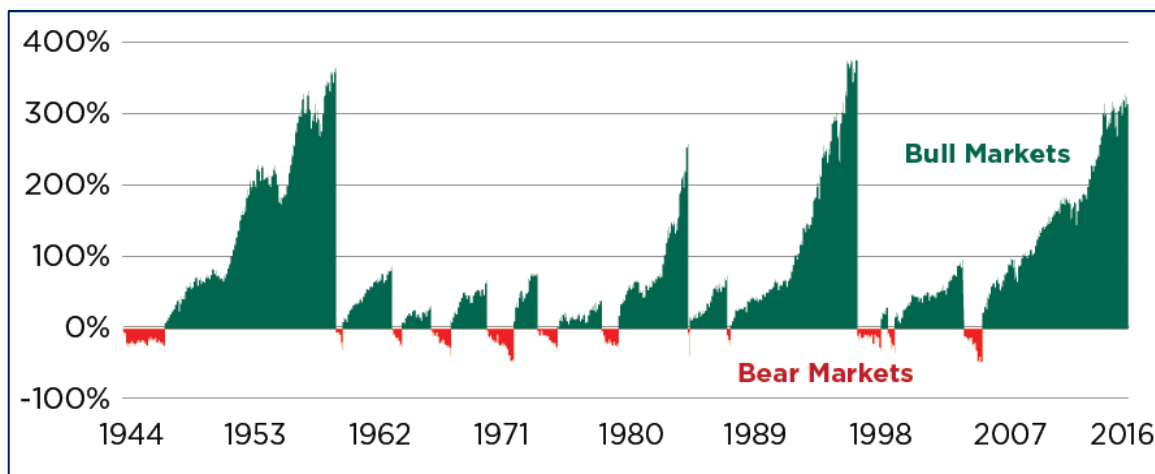
DIVIDEND ASSETS CAPITAL – INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

It is said that predictability is one of the foundations of all human behavior. Most of us in some way strive for consistency and predictable routines which causes us to react at times irrationally and or negatively to uncertainty. Thus, the volatility of the financial markets and human behavior are inevitably at odds both with fear and greed.

There have been many studies over the years trying to determine just how successful are individual investors. One of the most widely quoted research firms in this area is Dalbar. At the end of 2018 Dalbar concluded a 20-year study which analyzed investors' market timing successes and failures through their net purchases and sales of mutual fund shares. They call this the Guess Right Ratio and it examines fund inflows and outflows to determine how often investors correctly anticipate the direction of the market the following month. It turns out, according to Dalbar, that investors guessed right at least half the time in 13 out of 20 years. Unfortunately for the investors in the study, even guessing right does not always produce superior returns because the dollar volume of bad guesses exceeds the dollar volume of correct guesses. We are far more emotional during down markets than up markets. We have always wondered why stocks are the only product that most people do not want to buy when they are on sale.

At DAC we believe investors should invest in quality dividend growth stocks and hold them through all market cycles, making logical changes within the portfolio but staying close to fully invested. Time and time again we see that investment results are more dependent on investor behavior than on fund performance. As you can see below, markets do fall from time to time, as we all witnessed with our jaws agape in March 2020. But, if you do not want to be hit, do not play football.

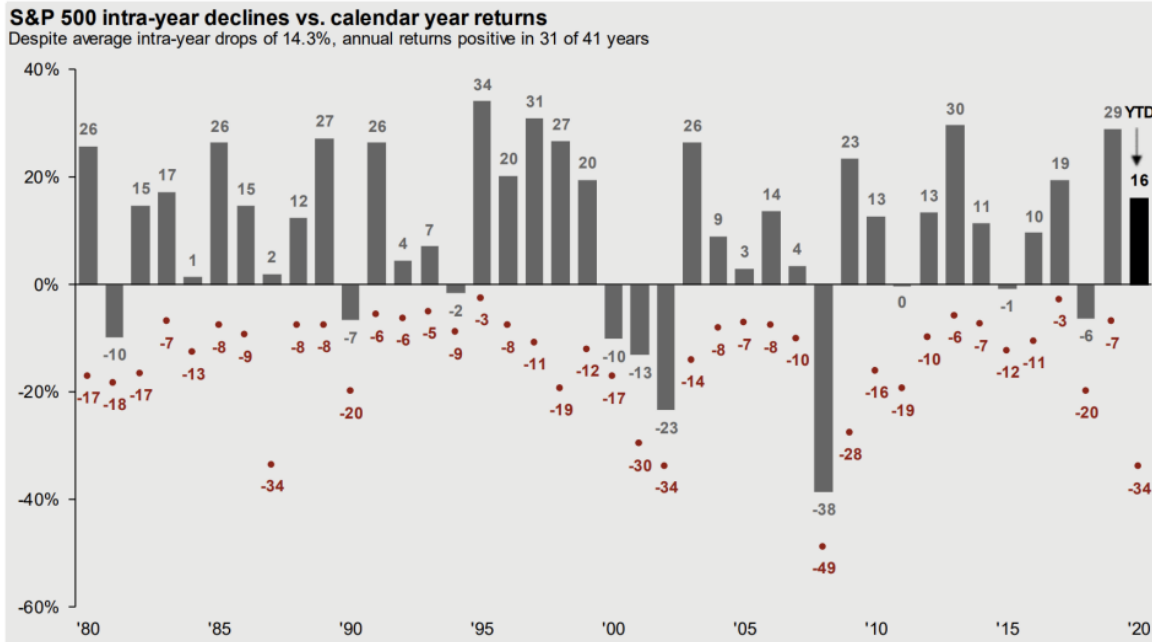
### **Bull & Bear Markets: Don't Fear the Reaper**



Source: Bloomberg, 1/1/1946-2/10/2020; Edward D. Jones

### S&P 500 Intra-Year declines vs. Calendar Year Returns

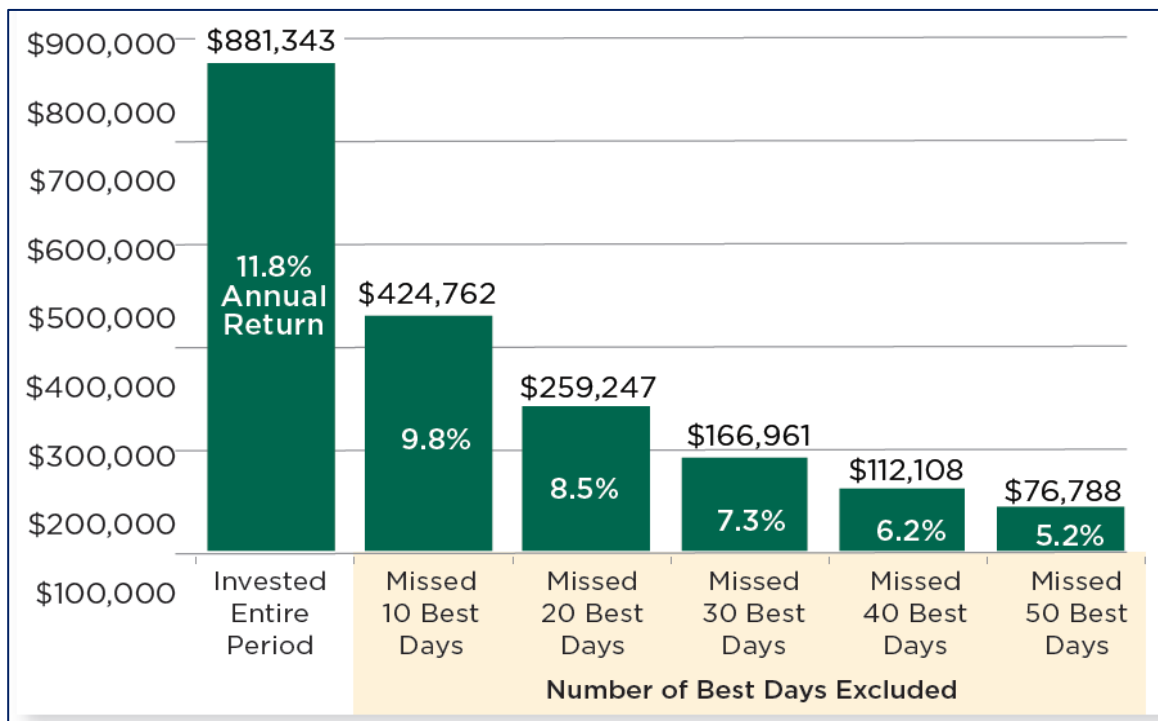
Despite average intra-year drops of 14.3%, annual returns have been positive in 31 of 41 years.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

### Can you Time the Market?









Value of a \$10,000 investment in the S&P 500 Beginning in 1980.



Sources: Ned Davis & Edward Jones, 1/1/1980-2/10/2020

We can see that the up markets clearly dwarf the down markets both in time and scale. The best weapon an investor has against poor investment returns is time and discipline. A comprehensive financial plan is only as good as an investor’s ability to stick with it through thick and thin. The Capital Group has for years published the investment success of “Louie The Loser”. The unlucky investor that manages to invest the same amount at the exact high each year. His returns from January 2000 thru December 2019 produced an average annual total return of 7.79%. Not bad for investing at the peak each year. By the way, if he happened to have invested over the same time period on the exact low point each year, his average annual total return would have been 9.6%.

So, what about today? Is there anything happening today that is causing volatility, irrational exuberance, fear & greed?

<p> Reuters</p> <p><b>U.S. SEC says it is evaluating stock volatility -statement</b></p> <p>The U.S. Securities and Exchange Commission on Friday said it was closely monitoring potential wrongdoing amid recent price volatility in the ...</p> <p>4 hours ago</p>	
<p> USA TODAY</p> <p><b>Robinhood to resume trading on GameStop, AMC stock amid volatility</b></p> <p>Robinhood is expected to resume limited trading Friday on GameStop, AMC and several other companies after blocking its users from buying ...</p> <p>18 hours ago</p>	
<p> MarketWatch</p> <p><b>European stocks and U.S. futures drop as GameStop-fueled volatility and COVID-19 worries drag on markets</b></p> <p>European stocks are shaping up for the worst week since October, as volatility on Wall Street spilled across global markets and COVID-19 ...</p> <p>9 hours ago</p>	
<p> TechCrunch</p> <p><b>AOC, Ted Cruz slam Robinhood for freezing some trades amid GameStop volatility</b></p> <p>With Reddit's interest in sending some stocks soaring showing no sign of slowing down, the trading app Robinhood started restricting some ...</p> <p>1 day ago</p>	

The media will always sensationalize whatever the topic is, that is simply what it does. These headlines are scary, seems like we should all sell our stocks and head to cash, right? There have always been many reasons to not invest and there always will be.

Let us try to remember that it is time in the market and not timing the market that will bring success. Said another way, your investments are like a bar of soap. Perhaps the more you touch them, the smaller they get.

It is prudent to consult with a financial professional before making investment decisions to better understand the concepts outlined above and determine how they impact your unique situation(s). If DAC can assist, please do not hesitate to contact us.

**DISCLOSURES:**

*Past performance is not indicative of future results. Results are hypothetical and do not reflect trading in actual accounts and are prepared with the benefit of hindsight.*

*The S&P 500® Index is a market capitalization weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

*DAC does not assume any responsibility for the accuracy or completeness of information provided by third party data sources.*

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Dividend Assts Capital, LLC is an independent, employee owned wealth advisor specializing in high quality companies with a history of consistently increasing dividends. Built on a pioneering legacy, our goal is straightforward; achieve our clients desired outcomes through investments that provide sustainable and rising income with long-term capital appreciation. We partner with successful families, advisors and institutions delivering tailored services that adhere to fiduciary principles to provide...

**Clarity:** A transparent and understandable approach to portfolio management.

**Simplicity:** Dividends are the best indicator of the future price performance of a stock.

**Devotion:** We build confidence through a disciplined process and strong devotion to our investment philosophy and clients.

