



faith . discipline . patience

skv  three things



January is commonly a time when investors look at last year's results and are strongly tempted to chase "hot performers". We humans like toextrapolate. The perils of chasing hot, short-term returns are well documented. The financial landscape is littered with examples of what worked last year, not working this year....this data is at the core of why we recommend routine portfolio rebalancing, and lean contrarian—*buying what has not worked recently rather than what has--* when adding new money to portfolios. ***"Luck plays the dominant role in one-year returns. So when you pick the previous year's top performer you're following someone who was for the most part, lucky. The reversals in year-to-year rankings are therefore a reflection of little more than how rare it is to be lucky two years in a row,"*** Aye Soe, managing director, S&P Dow Jones Indices.



Morningstar looked at actively managed funds over a 15-year period, starting January 2003, ending December 2017. ***"We find that for funds that outperformed their benchmark trailed that benchmark for an average of nine to 12 years sometime during the period...The main implication of these findings is that standard performance-measurement periods, such as three, five, or even 10 years are far too short to evaluate a manager with confidence. Investors who believe they picked a good fund must show more patience than is commonly assumed."*** Let that sink in for a bit....long-term outperforming funds or approaches, "underperform" a lot along the way. How many times to we give up too soon?



"Performance chasing is arguably the single-largest cause of tears in the investment arena. We're all addicted to it. But in investing, the profitable choice is often to do the opposite. The typical retail investor, without the help of a financial advisor, often won't have the courage to stay the course through a period of adversity...If financial advisors accomplish just one thing—to give clients the courage to stay the course, to not sell at the bottom, and not buy more of the hot sector at the top—they've accomplished something of great value..."—Rob Arnott, Performance Chasing Is Investors Greatest Sin, Sept 2017

FAITH

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PATIENCE

1405 Rolkin Ct., Suite 202
Charlottesville, VA 22911
toll free 844.391.3610
tel 434.328.8040
fax 434.234.3789
www.skvgrp.net



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Michael H. Kaminski, CFP®, CDFIA®

President

SKV Group, LLC

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Charlottesville, VA 22911
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fax 434.234.3789
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