PERSPECTIVES

3 Common Investing Mistakes

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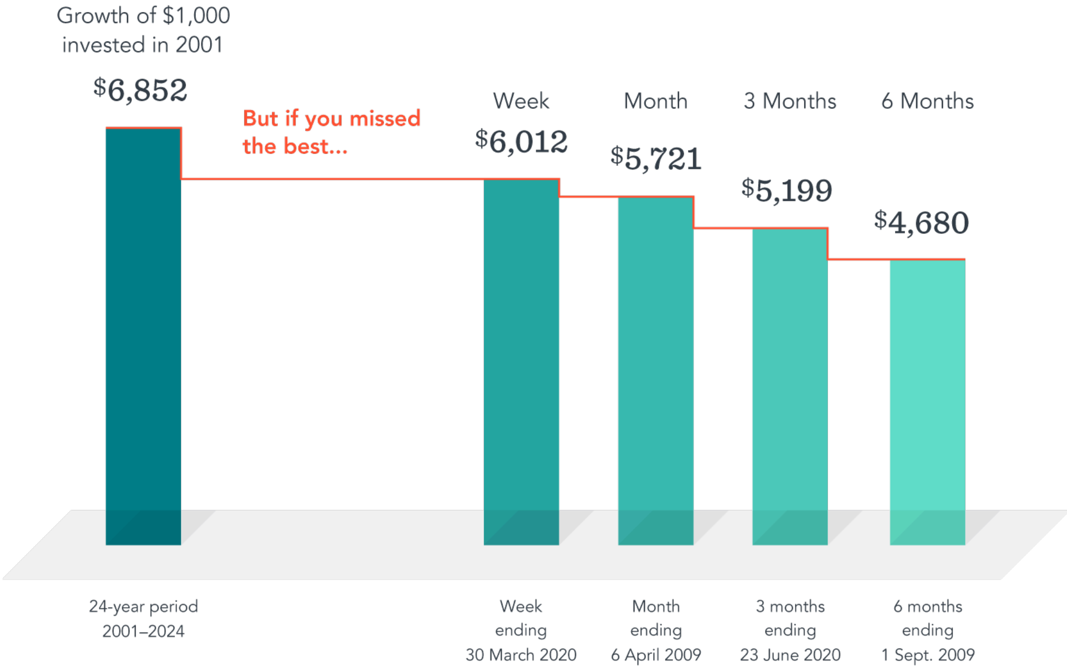
Many people start out managing their own investments. But as their earnings and assets grow, their financial needs and challenges become more complex—and continuing to go it alone could prove costly in terms of investing miscues. Consider three common mistakes that can reduce returns and increase anxiety:

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 S&P/ASX 300 Index, a broad Australian stock market benchmark. Over the entire 24-year period ending 31 December 2024, a $1,000 investment in 2001 turned into $6,852. 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
S&P/ASX 300 Index total return, 2001–2024



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.

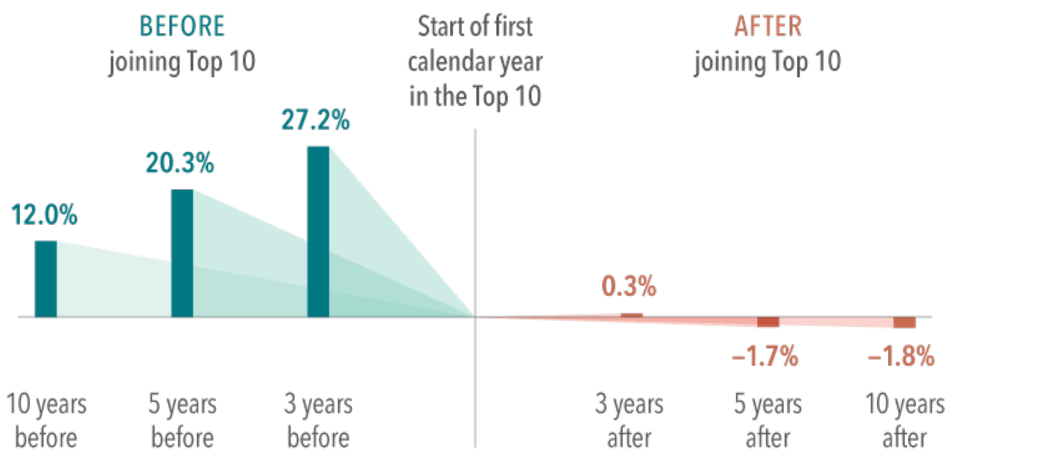
In AUD. For illustrative purposes. For the purposes of this analysis, we assume the following number of trading days for each period: five trading days in a week, 21 trading days in a month, 63 trading days in three months and 126 trading days in six months. Best performance dates represent end of period (30 March 2020, for best week; 6 April 2009, for best month; 23 June 2020, for best three months; and 1 September 2009, for best six months). The missed best 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 S&P/ASX 300 Index (total return) at the end of the missed best consecutive days. S&P/ASX 300 data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

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 enamoured 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 annualised outperformance of companies before and after the year they became one of the 10 largest in the US, 1927–2024



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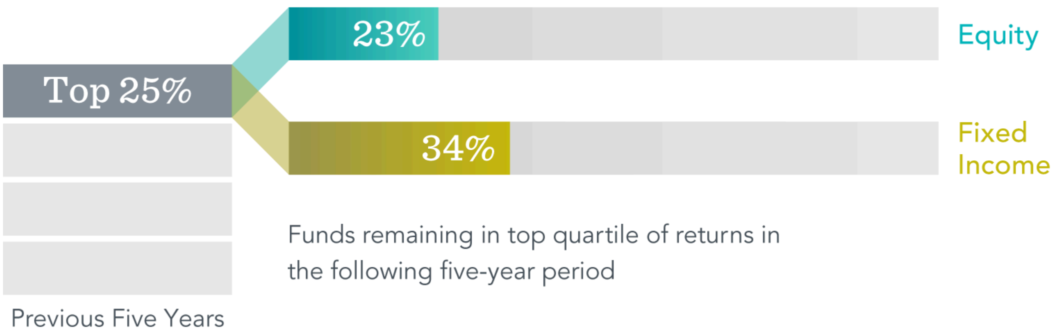
As compared to the S&P 500 Index. In USD. Source: Dimensional, using data from CRSP. Includes all US common stocks excluding REITs. Largest stocks identified at the end of each calendar year by sorting eligible US stocks on market capitalisation. Ten largest companies by market capitalisation. Returns after joining the 10 largest are measured as of the start of the first calendar year after a stock joins the Top 10. Annualised excess return is the difference in annualised compound returns between the stock and the S&P 500 Index over the three-, five- and 10-year periods, before and after each stock's initial year-end classification in the Top 10. Three-, five- and 10-year annualised returns are computed for companies with return data available for the entire three-, five- and 10-year periods, respectively. The number of firms included in measuring excess returns prior (subsequent) to becoming a Top 10 stock consists of 44 (58) for the three-year period, 43 (55) for the five-year period, and 34 (49) for the 10-year period. S&P data © 2025, S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

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 PERFORMANCE

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 US Funds That Stayed on Top, 2005–2024



Past performance is no guarantee of future results.

This study evaluated fund performance over rolling periods from 2005 through 2024. Each year, funds are sorted within their category based on their previous five-year total return. Those ranked in the top quartile of returns are evaluated over the following five-year period. The chart shows the average percentage of top-ranked equity and fixed income funds that kept their top ranking in the subsequent period. ***Data Sample:*** *The sample includes US-domiciled, USD-denominated open-end and exchange-traded funds (ETFs) in the following Morningstar categories. Non-Dimensional fund data is provided by Morningstar. Dimensional fund data is provided by the fund accountant. Dimensional funds or subadvised funds whose access is or previously was limited to certain investors are excluded. Index funds, load-waived funds, and funds of funds are excluded from the industry sample.* ***Morningstar Categories (Equity):*** *Equity fund sample includes the following Morningstar historical categories: Diversified Emerging Markets, Europe Stock, Foreign Large Blend, Foreign Large Growth, Foreign Large Value, Foreign Small/Mid Blend, Foreign Small/Mid Growth, Foreign Small/Mid Value, Global Real Estate, Japan Stock, Large Blend, Large Growth, Large Value, Mid-Cap Blend, Mid-Cap Growth, Mid-Cap Value, Miscellaneous Region, Pacific/Asia ex-Japan Stock, Real Estate, Small Blend, Small Growth, Small Value, Global Large-Stock Blend, Global Large-Stock Growth, Global Large-Stock Value, and Global Small/Mid Stock.* ***Morningstar Categories (Fixed Income):*** *Fixed income fund sample includes the following Morningstar historical categories: Corporate Bond, High-Yield Bond, Inflation-Protected Bond, Intermediate Core Bond, Intermediate Core-Plus Bond, Intermediate Government, Long Government, Muni California Intermediate, Muni California Long, Muni Massachusetts, Muni Minnesota, Muni National Intermediate, Muni National Long, Muni National Short, Muni New Jersey, Muni New York Intermediate, Muni New York Long, Muni Ohio, Muni Pennsylvania, Muni Single State Intermediate, Muni Single State Long, Muni Single State Short, Muni Target Maturity, Short Government, Short-Term Bond, Ultrashort Bond, Global Bond, and Global Bond-USD Hedged.* ***Index Data Sources:*** *Index data provided by Bloomberg, MSCI, Russell, FTSE Fixed Income LLC, and S&P Dow Jones Indices LLC. Bloomberg data provided by Bloomberg. MSCI data © MSCI 2025, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. FTSE fixed income indices © 2025 FTSE Fixed Income LLC. All rights reserved. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with management of an actual portfolio. US-domiciled mutual funds and US-domiciled ETFs are not generally available for distribution outside the US.*

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.

RISKS

Investments involve risks. The investment return and principal value of an investment may fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Past performance is not a guarantee of future results. There is no guarantee strategies will be successful.

Risks include loss of principal and fluctuating value. Investment value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

Diversification does not eliminate the risk of market loss.

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