“In times like these, it helps to recall there have always been times like these.” - Paul Harvey

I believe in the disciplined selection of stocks to own for a lifetime. Throughout my 30+ years of investing, I have found that buying great companies—particularly during uncertain times like these—results in excellent, long-term performance. The problem is that it is hard to do. The academic discipline of behavioral economics exists, in part, because of the emotional response investors exhibit in response to rising and declining markets. We often do exactly the wrong thing at just the wrong time. Discipline is our lifeline during times like these.


Hulbert’s newsletter monitors investment advisors over the long-term. He analyzed the top-performers—those with real money and real track records—from “the market peaks preceding the last two bear markets: October 2007 [prior to the financial crisis] and March 2000 [the bursting of the internet bubble]. Since March 2000, the S&P 500 has returned 4.1%—less than half the historical average return of 9.0% per year since the turn of the 20th century. The top manager in Hulbert’s universe produced an annualized return of 10.9% since March 2000. He achieved his returns through stock selection, not by timing the market, and remains fully invested today. The same holds true for the top five advisors in Hulbert’s universe during that time period. They have all been and remain fully invested.

Hulbert’s analysis also includes the monitoring of “several hundred stock market timing strategies.” He has found that: “Only 6% of timers “called” both the top and the bottom of the 2007-2009 bear market.” That is consistent with my observation over decades of investing. Many reputations are made then lost by getting one call right, and then not being able to replicate the feat again.

In addition to remaining fully invested, the other secret to these managers’ outperformance is a bias toward value stocks. I write about the outperformance of value stocks frequently. In my book, I cite various studies that demonstrate the outperformance of value stocks over growth stocks in multiple market cap ranges and geographies, and over long investment periods. Much of the reason is the growth and compounding of dividends over time. The other reason is that value investors tend to buy stocks at reasonable valuations.

But the most important factor to focus on in times like these is stock selection, not market timing, as it adds value over time.