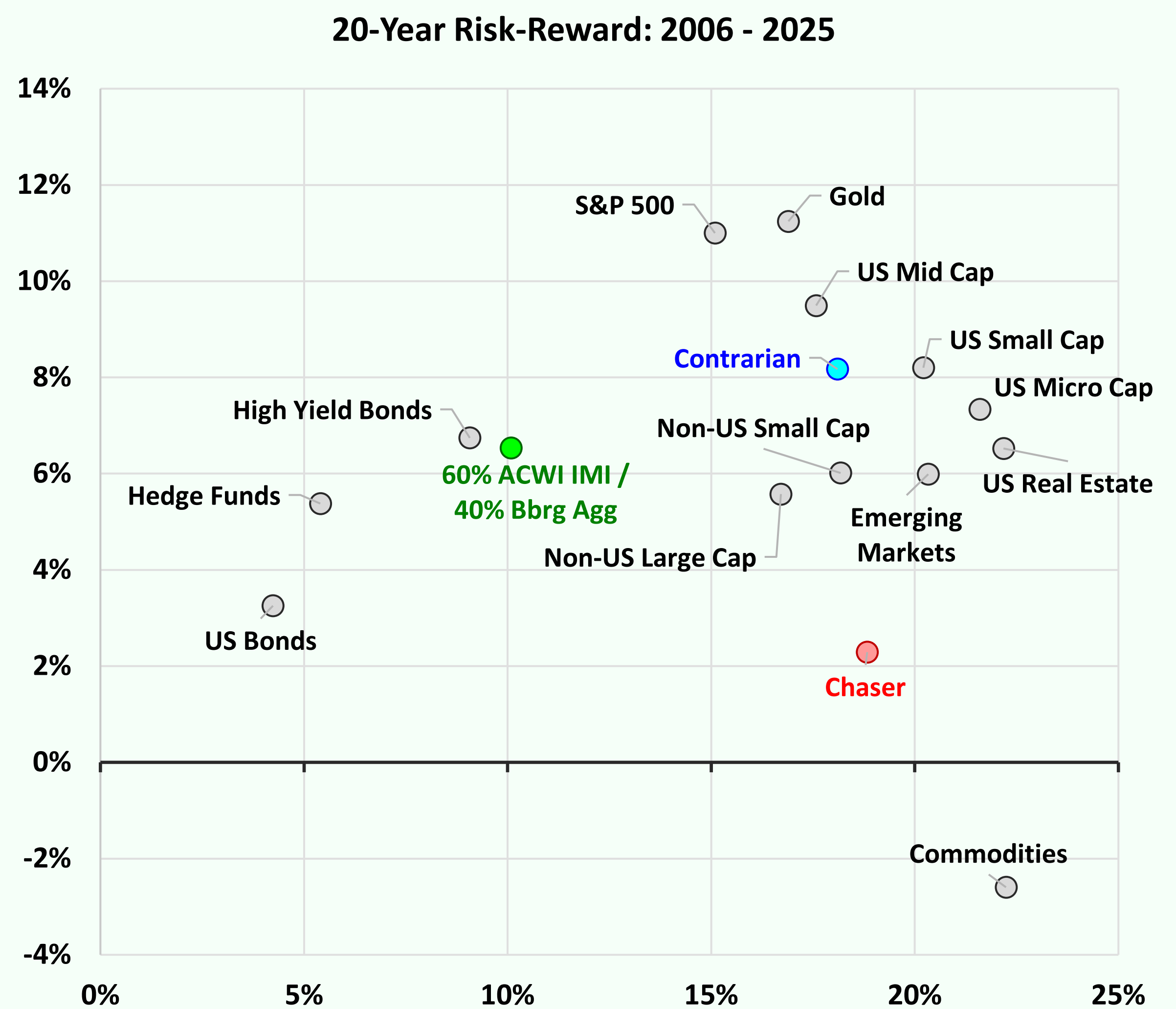
MARKET MICROSCOPE – Performance-Chasing Often Produces Subpar Returns

There is never a shortage of headlines stoking "fear of missing out" for the hot investment of the day.



The chart to the left shows the 20-year risk-reward data for a variety of asset classes.

A "Contrarian" investor that put all of their money into whichever category had the ***lowest*** return the year before would have generated a higher return than a 60/40 portfolio, though they also had much higher volatility.

However, a "Performance Chaser" investor that put all of their money into whichever category had the ***best*** return the year before would have had a lower 20-year return than every other category, with the lone exception of the broad Commodities index.

Return Source: eVestment.com