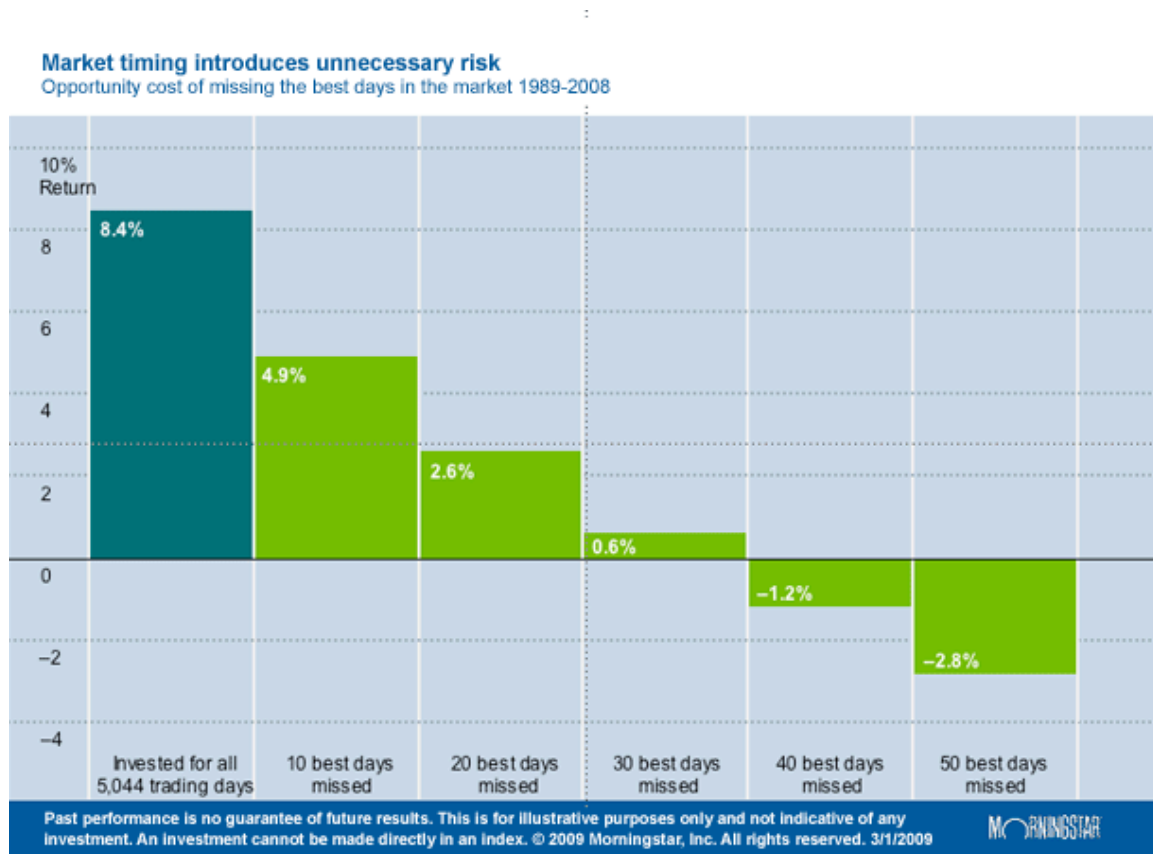




Quick Q & A #3

Q: Is now the time for market timing?



A: No, staying invested means never missing a big up day.

There are many risks in investing. One of the biggest and least discussed is the opportunity cost of being out of the market on the days when the market surges ahead by 5, 7, or even 10%. Missing just the 30 best days between 1989 and 2008 would have reduced average annual return from 8.4% to just 0.6%. The remaining days – all 5,014 of them – accounted for the remaining 0.6% annual return.

Market timing – moving in and out of investments to enjoy the ups and avoid the downs – sounds appealing, but guessing wrong and missing even a



few big up days creates a deficit that is difficult to recover without taking on even more risk.

Because we do not believe it is possible to systematically predict up and down moves in advance, we advocate holding for the long term a diversified portfolio of index investments that provide exposure to all potential market surges.

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Next time: How can average be above average?

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