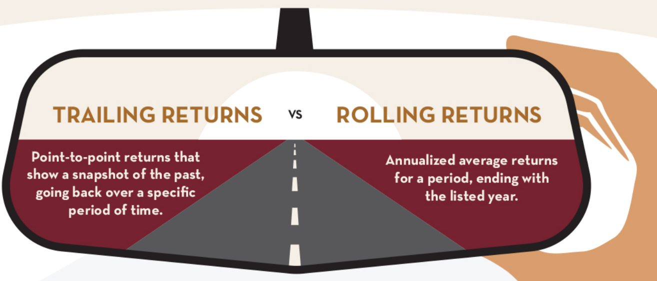
REDEFINING RETURNS

How Different Ways To Evaluate Returns May Paint a Clearer Picture of Long-Term Performance



In a world of instant updates and daily stock market news, investors can get caught up in chasing short-term returns, rather than focusing on their long-term goals.

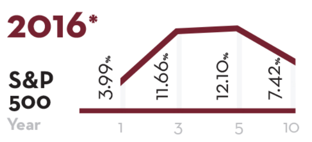
The Problem with Trailing Returns

Misguided Expectations

When looking at trailing returns, the numbers are often vastly different.

Aside from skewing expectations, short-term, trailing returns can make investors want to jump from one investment to another when market noise gets loud.

Further, investment and manager selection based on short-term trailing numbers can lead to disappointment or worse, unmet financial goals.

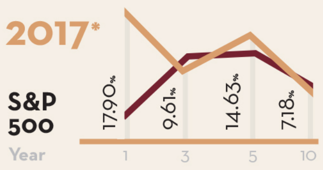


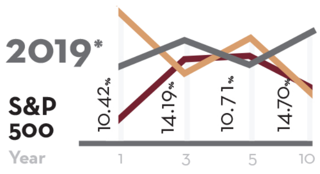
Let's take a look at trailing returns from June 2016...

The difference among the S&P trailing returns is widely inconsistent. Making investing decisions based on these returns would be very challenging – it's difficult to determine any trends.

What a difference a year makes...

The variation in this 1-year return is concerning and problematic for investor expectations. The 2017 1-year S&P trailing return is quadruple what it was in 2016.

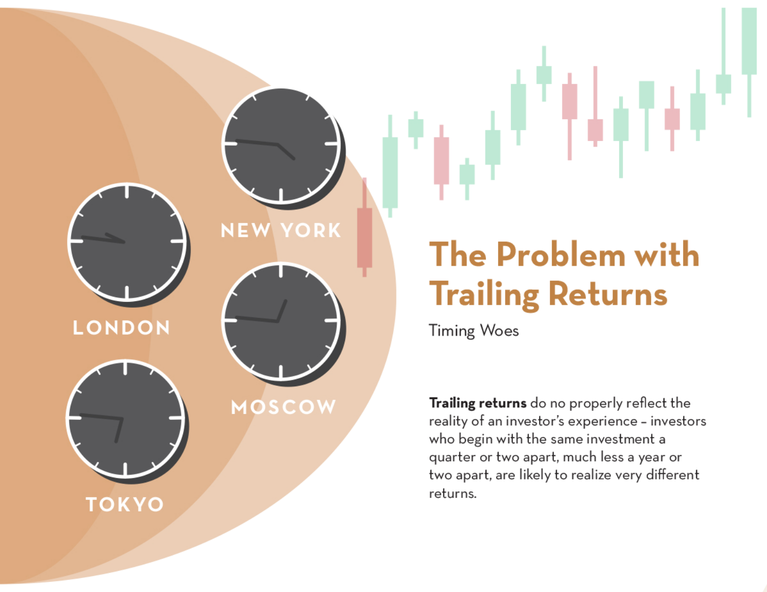




Third time's a charm...

It's hard to disagree that this is confusing and frankly, a misleading way to look at returns. Looking at a third data set of trailing returns, this time in 2019, shows similar inconsistent variation – once again.

*Source: Zephyr StyleADVISOR and Swan Global Investments



The Problem with Trailing Returns

Timing Woes

Trailing returns do no properly reflect the reality of an investor's experience – investors who begin with the same investment a quarter or two apart, much less a year or two apart, are likely to realize very different returns.

REDEFINING RETURNS

Rolling Returns Offer a More Comprehensive View

Rolling returns:

- generally provide a clearer picture of an investor's experience because they provide average returns for various investment time periods, with less dependence on the start and stop times.
- give a snapshot of what the investor experience would look like from any month within the time frame specified.

Therefore, if rolling returns are more consistent, investment timing risk is reduced.

ROLLING RETURNS

Rolling Period	Current	Average	Worst	Best
1 YEAR	-4.12%	8.08%	-41.68%	51.62%
3 YEAR	6.97%	7.46%	-17.98%	26.51%
5 YEAR	8.51%	6.23%	-7.13%	2.94%

It was the **best of times**

It was the **worst of times**

Rolling returns can also reveal the best and worst performance on a particular investment so that investors can thoughtfully manage their expectations (for better or worse).

*Source: Zephyr StyleADVISOR and Swan Global Investments

KEY TAKEAWAY

Investing should be about achieving long-term goals, not beating the market in the short-term.

Rolling Returns can help advisors redefine the discussion around performance with their clients and frame a longer-term view.

This may lead to improved investor expectations, keeping them on track with individual financial plans, and maintaining a better client relationship.

For more on growing and sustaining your retirement, visit:

https://www.swanglobalinvestments.com/trailing-vs-rolling-returns/

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