



# Financial **EXCHANGE**



Questions? - We invite your participation. Send inquiries to: [financialexchangefeedback@manulifesecurities.ca](mailto:financialexchangefeedback@manulifesecurities.ca)  
*The opinions expressed are those of the author and may not necessarily be those of Manulife Securities Incorporated*



**Ken Lovelock**  
*Manulife  
Securities  
Incorporated*

## Think twice before chasing that great investment tip!

### Think Twice about buying that great Stock!

If you are thinking about switching to that top-performing stock or mutual fund your neighbor just told you about, stop and consider this. One of the most serious mistakes investors make is chasing performance, or in other words investing into whatever mutual fund, stock, or bond is performing well in the current market environment.

#### Manage Greed and Fear

The desire for rapid or impressive gains makes it hard to stick to an investment plan over the long term.

Many investors want to believe that an investment's past performance is indicative of its future results, despite warnings to the contrary. They find themselves tempted to invest in today's top performer. The problem is, today's best performers could be tomorrow's biggest losers.

Selling when the markets are going up and down rapidly is another way investors chase performance. Market volatility can be unnerving, but fear of short-term loss is not a good reason for taking action. If you sell to simply avoid negative performance you are in danger of being on the sidelines during market upswings, which often come unexpectedly and are strong in their early stages.

Missing even a few days of a market turnaround can have a significant effect on your returns. Many of us have

experienced market corrections only to find that given time things do turn around and we are again moving towards our goal.

It is so important that we don't get caught up in doing the exact opposite of what should be done. I have seen people watch recent performance and then hear that they sold low and bought high!

#### Choose Carefully and be Patient

Often investors will focus nearly all of their attention on trying to identify the best stock or mutual fund and almost no time on risk and comfort level.

When picking funds or stocks it is important to consider your investment goals, time frame, and comfort level with risk. Create a plan with your mix of stocks, bonds, funds, GIC's, etc.

and remember this is your plan and not someone else's. Choose investments that you intend to hold for a long time. By carefully planning out your investments and matching them to your goals and tolerance for risk, market volatility may not be so unsettling.

It is also important to fairly judge your investment's performance. Instead of looking at day-to-day price movements, look at the bigger picture. Compare your fund's performance to that of its peer funds or benchmark index. With individual stocks, revisit your reasons for buying them. Did you purchase them for growth or income by means of dividends or capital growth? This will remind you of your timeline for each individual investment. By focusing on the fundamentals, you'll

make decisions based on your original convictions rather than on short-term performance.

#### Stick with Your Plan

When it comes to your long-term goals, your best course of action is to stick to your investment plan. Your investment goals are important. Reaching them requires careful planning and a little self-discipline. Remember that your investment return and principal value will likely fluctuate. Past performance is not a guarantee of future results but you may be able to save yourself some unnecessary stress and anxiety in the short-term if you have a long-term investment plan that you stick with.

*Ken is an Investment Advisor with Manulife Securities Incorporated  
705-646-2811.*



*Happy Holidays from the Financial Exchange*

