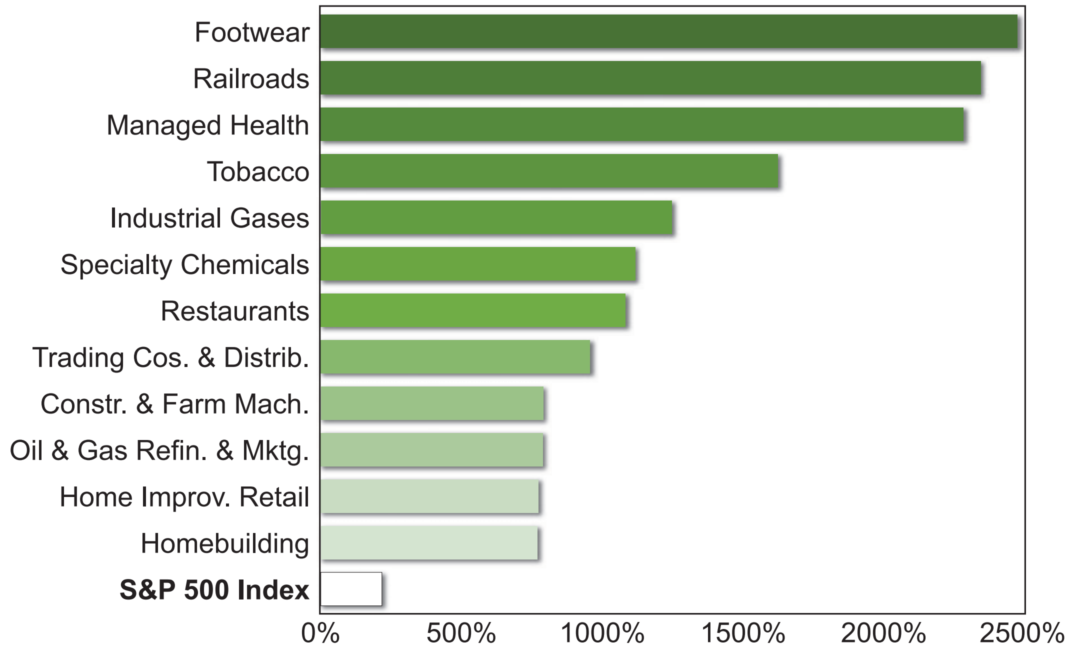
The Buy And Hold Investment Strategy Is Not Dead!

Top 12 S&P 500 Index Subsectors vs. S&P 500 Index: *Cumulative Total Returns (5/31/00-5/29/20)*



Source: Bloomberg. **Past performance is no guarantee of future results.**

View from the Observation Deck

1. Investors who follow the financial media have been told by the likes of traders and hedge fund managers for years that buying and holding stocks no longer works.
2. Pundits like to cite the S&P 500 Index's cumulative total return of -9.10% from 2000-2009 as evidence. It even has a name: "The Lost Decade."
3. The chart above clearly shows the pundits are wrong. While the industry's traditional definition of long-term investing is five years or so, these cumulative returns span 20 years.
4. The S&P 500 Index is comprised of 11 sectors and 127 subsectors, according to S&P Dow Jones Indices. We are focusing on the subsectors to show which industries performed the best over the period.
5. Surprisingly, there is not one technology industry represented in the chart. In fact, one would be hard-pressed to find anything sexy about any of the top 12 industries in the chart. No offense intended.
6. The S&P 500 Index's cumulative total return for the 20-year period ended 5/29/20 was 216.84%. Its average annualized total return for the period was 5.93%, according to Bloomberg.
7. Keep in mind, from 1926-2019, the S&P 500 Index posted an average annual total return of 10.20%, according to Morningstar/Ibbotson Associates.
8. The cumulative total returns for top 12 subsectors ranged from 768.68% (Homebuilding) to 2,475.30% (Footwear). On an average annualized basis, the total returns ranged from 11.41% (Homebuilding) to 17.63% (Footwear), according to Bloomberg.
9. Our takeaways from this snapshot are that investors can prosper with a buy and hold strategy and they do not have to necessarily overweight the newest, shiniest, most cutting-edge industries to make a buck.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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