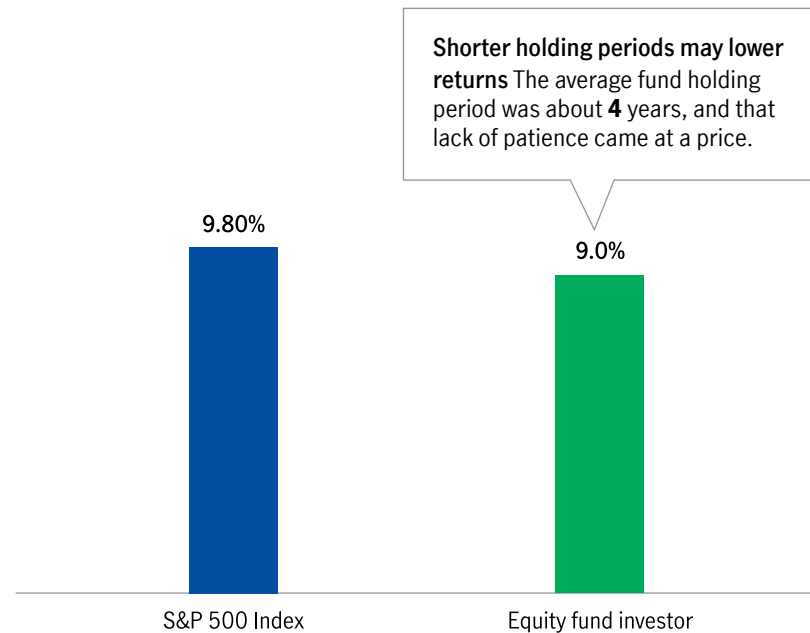


# Let logic, not emotion, drive your investment decisions

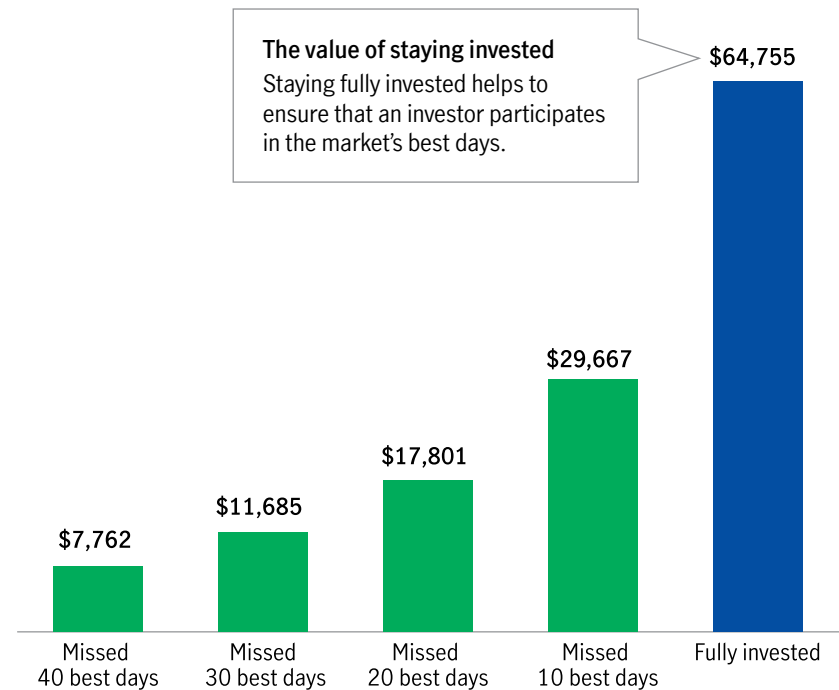
Our emotions naturally make it difficult to make smart investment decisions, such as buying low and selling high. In reaction to stress, the reasoning part of our brain tends to shut down and survival instincts kick in.<sup>1</sup> That's why many investors sell during market declines—thereby locking in losses—and return only after stocks have recovered. Research suggests that these behavioral biases are a key reason why the average investor underperforms the market.

## Trying to time the market has often resulted in underperforming the market

Average annual returns, S&P 500 Index vs. equity mutual fund investors, 2003–2022<sup>2</sup>



Growth of a hypothetical \$10,000 investment in the S&P 500 Index, 2003–2022<sup>3</sup>



This table is for illustrative purposes only and is a hypothetical example that does not reflect the performance of any John Hancock fund. It is not possible to invest directly in an index.

<sup>1</sup> *The Triune Brain in Evolution: Role in Paleocerebral Functions*, Paul D. MacLean, 1990. <sup>2</sup> "DALBAR's Annual Quantitative Analysis of Investor Behavior," DALBAR, Inc., 2023. Investor returns are calculated using data supplied by the Investment Company Institute that represents the change in total mutual fund assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. <sup>3</sup> Bloomberg, as of 12/31/22.

The S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It is not possible to invest directly in an index. Past performance does not guarantee future results.

## Four strategies to overcome your natural biases and invest logically

One reason that many investors fail to fully realize the market's investment potential is that the physiology of our brains might be working against our best interests as investors. Minimize the damaging effects that these tendencies have on long-term goals by watching for these warning signs and following a few simple principles.

 <b>Natural biases</b>		 <b>Warning sign statements</b>	 <b>Potential strategies</b>
<b>1</b> <b>Loss aversion</b>	The tendency to strongly prefer avoiding losses to acquiring gains	"I can't take any more of these losses, so I'm selling now."	Expect ups and downs in the market. Involve impartial people in your decisions, since they're less likely to be clouded by emotion. Practice dollar cost averaging by making regular ongoing contributions toward your investment goal, regardless of how the market's performing.
<b>2</b> <b>Anchoring</b>	The tendency to rely too heavily on one trait or piece of information when making decisions	"I'm still down 10%. I just want to get back to where I started." "Six months ago, I had \$XXXX, and now I have just half that amount."	Seek out information that will give you long-term perspective and help you change your anchor. Measure your success based on progress toward your goals.
<b>3</b> <b>Status quo</b>	The tendency to not change an established behavior unless the incentive to change is compelling	"I've had that investment for years, and it's been a good one. No need to change it now." "I know it's not a good investment, but I don't know where else to invest."	Make an investment schedule and stick to it. Revisit the plan periodically to ensure that it still aligns with your long-term goals.
<b>4</b> <b>Hindsight</b>	Taking action based on past experience, but doing so after it's too late	"I don't care what happens next in the market. I'm moving to cash until things calm down." "The market has done great this year. I knew I should have invested more."	Base any reevaluations of your investment plan on a long-term perspective. Write a letter to yourself about the rationale for your long-term plan, seal it, and write on it, "Open in case of an emergency." If you get concerned about recent changes in the market, read the letter to help keep things in perspective.

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