

Three Upside-Down Investment Insights

Often, all you need to be a good investor is a healthy dose of common sense: *A penny saved is a penny earned.* Buy low, sell high. Don't put all your eggs in one basket.

That said, the best way to achieve these simple goals isn't always as obvious. In fact, many of our favorite investment insights may at first seem counterintuitive. Today, we cover a trio of weird, but wonderful "upside-down" investment ideas.

Investment Insight #1

Market volatility is the norm, not the exception. How often have you thought something like this: *"The markets seem so crazy right now. Maybe I should back away, or at least wait until things settle down before I make my next move."*

The problem is, the markets rarely "settle down." And when they do, we only realize it in hindsight. There are just too many daily seeds of doubt, forever being sown by late-breaking news. We never know which ones might germinate—until they do, or don't.

We suggest putting market volatility in the proper context.

"Being surprised at equities' ups and downs is like visiting Chicago in January and being shocked by 8 inches of snowfall."

— William Bernstein

In other words, it's normal for markets to swing seasonally. It's just part of the weather. For example, in Dimensional Fund Advisors'

commentary, "Recent Market Volatility," we see U.S. stock markets ultimately delivered positive annual returns in 33 of the 40 years between 1979–2018. But during the same period, investors had to tolerate average intra-year declines of 14%.

Investment Insight #2

Market volatility is your frenemy. What if markets weren't volatile? What if all the days, in every market, were like November 12, 2019, when the Dow closed at the same 27,691.49 price as the day before?

If prices never changed, traders would become unwilling to trade; they'd have no incentive to do so. In this extreme, markets would no longer be able to serve as a place where buyers and sellers came together and agreed to price changes. Soon enough, markets would cease to exist.

What if there were just far less market volatility? You would probably soon discover how much you missed those same, downward price swings you ordinarily loathe. That's because, long-standing evidence has informed us: By giving up extra volatility, you also must give up the extra returns you can expect to earn by tolerating the volatility risk to begin with.

"If you're living in fear of the next downturn, consider shifting your thinking instead of your investments. Focus on controlling what you can control, such as how much you save, or finding the right stock/bond mix." — David Booth

Investment Insight #3

You can win for losing. Wouldn't it be great to hold only top selections in your investment portfolio, with no disappointments to detract from your success?

Of course it would. It would also be nice to hold a \$100 million winning lottery ticket. But just as the lottery is no place to invest your life's savings, neither is speculating on the razor-thin odds that you can consistently handpick which stars are next in line to shine.

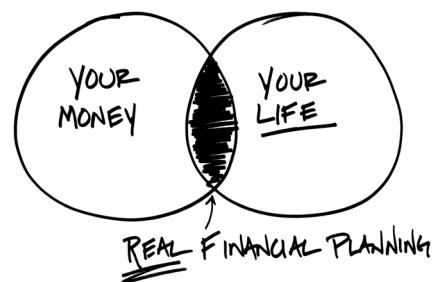
Here's a helpful way to think about committing to a mixed-bag (diversified) portfolio:

"On a scale of 1–10, with 10 being abject misery, I'm willing to bet your unhappiness with a diversified portfolio comes in at about a 5, maybe a 6. But your unhappiness if you guess wrong on your one and only investment for the year? That goes to 11."

— Carl Richards

Until next time, no regrets!

David Bromelkamp
President and CEO



Upcoming Events

January 27, 2021

Join us for a Zoom Webinar at the 2021 Annual Allodium Investment Forum as the Allodium team discusses *The Science of Investing – How to Invest Without Needing to Pick Winners*. Details coming soon.

February 24, 2021

Allodium will host a training event for foundation and endowment leaders. Join guest speakers Kathleen McBride and Allan Henriques at our *Fiduciary Essentials for Nonprofit Leaders Webinar*.

For more information about these events, please contact Ilona Avraamides at (612) 230-3711 or iavraamides@allodium.com.

Headlines

- Weston Wellington of Dimensional Fund Advisors was the guest speaker at our fall virtual event on October 14, 2020. Our topic was *Focus on What Matters: Why Evidence-Based Investors Ignore the Financial Media*.
- Our office will be closed December 25, January 1, January 18 and February 15 for company holidays.

Note: To find out more about Allodium's breaking news, please visit our website: www.allodium.com.

I wake up every morning expecting the stock market to go up a little bit. But I'm not surprised when it doesn't. That's because I don't obsess over the short-term ups and downs of the market. I want to make sure I stick around to capture the long-term ups. Honestly, it's a pretty simple philosophy rooted in decades of academic research. But with so many distractions and apparent shortcuts, I know it can be hard to stick to your plan.

David Booth

NEW EMPLOYEE SPOTLIGHT:

Brianna Lee

Allodium is happy to welcome our newest employee, Brianna Lee.

Role at Allodium: Operations and Technology Associate.

Joined firm on: November 4, 2020.

Hometown: Rochester, MN.

Favorite movie: *Top Gun, Father of the Bride, or Pure Country.*

Favorite book: *The Great Gatsby* or anything by Jocko Willink.

Favorite TV show: *Scandal, Big Little Lies, New Girl.*

Favorite food(s): Pasta, homemade pizza on the grill, grilled asparagus or anything wrapped in bacon.

Favorite news source: A balance of it all.

Favorite place in Twin Cities: Home, now. Patina (home goods store) for fun.

Favorite gadget/technology: My electric kettle for tea or French press coffee.

Favorite activity: Relaxing with a new show, going to a new restaurant, or trying out a new hiking spot.

Favorite music: Country mostly, anything 80s or 90s, and I like to keep up on my modern pop/Indie too.

Person I admire most: My grandma, Mary Lou, and all that she's accomplished, inspired and helped come alive.

What I'm most thankful for: My family and friends, the overall health of the people around me, my new job at Allodium, and the chance to start every day new.



Steward is published quarterly by Allodium Investment Consultants. Please contact Ilona Avraamides at 612-230-3711 or iavraamides@allodium.com if you have any comments about this publication or wish to be added to or removed from our mailing list.

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