Really? You’re Kidding!

Mega-Caps, Small-Caps & Micro-Caps
(12-Month and 3-, 5-, 10- and 15-Year Annualized Total Returns thru 11/29/13)

View from the Observation Deck

1. Today’s blog post is intended for those equity investors who may have become “overly sensitive” in recent years to the risks associated with investing in the stock market.

2. Thanks to the Internet, news cycles are now truly 24/7 because the news is more easily accessible. The constant barrage of information makes it seem like there is more negativity to navigate.

3. Our primary concern, and it has been so for many years, is this mantra from some of the financial cable outlets that investors can no longer build wealth within the equities markets utilizing a buy and hold strategy.

4. This message seems to be grounded in the illusion that today’s bad news is somehow more relevant than in decades past. We don’t subscribe to this notion. Bad news is bad news and bull and bear markets come and go.

5. While we acknowledge that understanding one’s risk tolerance is critical for achieving one’s goals, the returns featured in the chart are what is most relevant, in our opinion.

6. The performance returns show that, despite all the negative events since 1998, micro-cap stocks outperformed both small-cap and mega-cap stocks by a big margin.

7. In fact, micro-cap and small-cap stocks outperformed the most well-capitalized stocks (mega-caps) over every period featured in the chart. The greater the risk, the greater the potential for higher returns.

8. That is the way the financial markets are designed to work. The more things change, the more they stay the same.