What a Long Bull Market Costs You

The strategy against a 60/40 through the strong years

> *"How much would I have sacrificed during a long run of a strong bull market if I'd stayed with the strategy?"*
>
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Some, but less than you might think, and the number depends on which stretch of the bull market you look at.

Take 2009 through 2019, ten straight years of one of the strongest bull markets on record. The strategy returned about 7.2% a year against a plain 60/40 balanced fund's (VBINX) 9.5%, and that 60/40 figure doesn't include the 1%+ advisor fee many investors also pay on top of it. From 2014 to 2019 the strategy returned about 5% a year against VBINX's 7.9%. From 2019 to 2024, about 7.9% against VBINX's 8.1%, close enough to call a tie.

The stretch where the strategy won outright was 2004 to 2009, the slice that includes 2008: sidestepping most of that crash more than made up for lagging in the calmer years around it, returning about 5.3% a year against VBINX's 2.9%.

The strategy works like insurance, and insurance costs money in the years you don't need it. You pay that premium in most rising years and collect on it in the rare years the market falls hard.

Those comparisons answer the question as asked, but they can be misleading taken alone. **STR is an absolute return strategy**: free to run anywhere from fully invested to all in cash, sector by sector, based on trend alone, with no fixed benchmark to track or beat. Judged on its own terms since late 1999, it has returned about 5.8% a year with volatility of 9.2% and a maximum drawdown of about 21.5%, against a 55.2% peak-to-trough decline for the S&P 500 and 36.0% for a 60/40 mix over the same stretch. On a risk-adjusted basis (Sharpe and Sortino), the strategy, the S&P, and 60/40 all come out close to even; the real difference is in how much pain you'd have had to sit through to get there.

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