

We Don't Measure Success Against the Market

On benchmarks, absolute return, and the honest comparison

One of the first questions every prospective subscriber asks is a fair one. "What's your benchmark?" Nearly every investment product measures itself against something else. Large cap managers compare themselves with the S&P 500. Bond managers compare themselves with bond indexes. Success gets defined as beating an index by a fraction of a percent.

After almost fifty years in this business, I have come to believe that this way of thinking misses the point. Most investors do not retire on relative returns. They retire on actual dollars.

Imagine two investors. One loses 50 percent of his portfolio in a bear market. The other loses only 8 percent. The first may eventually recover, but it can take years just to get back to even. The second keeps both his capital and his confidence. Which one sleeps better? Which one has the freedom to help a grandchild through college, buy a vacation home, or simply enjoy retirement without looking over his shoulder? Life is lived in dollars, not in benchmark rankings.

History has taught this lesson again and again. In 1929 fortunes disappeared in weeks. The bear market of 1973 and 1974 cut stocks nearly in half while inflation quietly ate away at what was left. The technology bubble convinced investors that profits no longer mattered, until they suddenly did. In 2008 leverage turned from friend to enemy almost overnight. COVID reminded us how fast fear can overwhelm even the strongest bull market. Every one of those crises had a different explanation, and every one had experts who were sure they understood it. None of them arrived with advance notice.

That realization shaped my philosophy. I stopped believing long ago that anyone can consistently predict the next recession, the next war, or the next market top. Prediction is extraordinarily difficult. Observation is not. Markets leave footprints. Trends develop, and eventually they change. Rather than forecasting headlines, I would rather listen to what prices themselves are saying and respond according to a disciplined set of rules. Rules have no ego, they do not watch television, and they do not turn euphoric near a top or despondent near a bottom. They simply respond. That is the foundation of The Stock Trend Report.

So our objective is an absolute one. We are trying to compound capital steadily while respecting risk, not to win every short term comparison. There will be years when we trail a roaring bull market, because our discipline occasionally asks us to step aside. That is not a flaw in the process. It is the price we willingly pay to avoid the truly devastating declines that can permanently impair long term wealth.

Here is where the benchmark question deserves an honest answer rather than a dodge. If our goal is to manage risk, then the S&P 500 is simply the wrong yardstick. The index is fully

invested in stocks all of the time, and that is not the choice a careful retiree actually faces. Measuring a risk managed strategy against an all stock index tells you very little that matters.

A traditional 60/40 portfolio is a different story. Most retirees already own some version of one, a familiar mix of about 60 percent stocks and 40 percent bonds, such as the Vanguard Balanced Index Fund. It is trying to do the very thing we are trying to do, which is to balance growth against the pain of a decline. For that reason I think it is entirely appropriate to compare our long term results with a 60/40 portfolio. It gives you a fair and familiar frame of reference without ever becoming the objective itself. Choosing the honest comparison is part of the discipline, not a retreat from it.

And I would ask you to judge that comparison on the terms that actually decide whether a retirement works. Not who was ahead in a single quarter, but how deep the worst decline was, how long it took to recover, and how many dollars you were left holding at the end.

Our mission is not to beat a benchmark. It is to help thoughtful investors make better long term decisions, preserve capital in the periods that matter most, and stay disciplined when emotions are pulling everyone else the other way. If over many years we can help you avoid the mistakes history keeps repeating, I will consider The Stock Trend Report a success, whether or not we beat an index by a percent this quarter.

After nearly five decades in the markets, I have learned that successful investing is not about being the smartest person in the room. It is about having a process you can trust when the room loses its mind.

— John