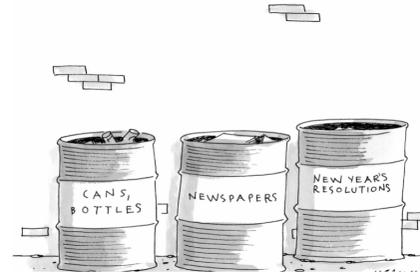




2022.01.05

There's a saying "trees don't grow to the sky" and while the author of that turn of phrase likely didn't take the time to quantify it, our institutional partners at **Dimensional** have. For better part of the past century this point has been demonstrated time and again. Small capitalization stocks (the ones that succeed that is) become mid cap stocks, which in turn become large cap. What comes next is the inevitable: large companies slow in their growth rate, and while they may see their stock prices rise, investors can find better returns in smaller companies that have their best years ahead of them.



Bottom line is that, generally speaking, the larger anything gets the slower its growth rate. This is as true biologically as it is financially. Understanding this is why we have chosen to include **Dimensional** as a core component of our portfolio allocations. **Dimensional** funds mostly hold small and mid capitalization companies and are positioned for a better investment outcome

Martin
1-519-546-5088

Why Investors Might Think Twice About Chasing the Biggest Stocks



AVERAGE ANNUALIZED OUTPERFORMANCE OF COMPANIES BEFORE AND AFTER THE FIRST YEAR THEY BECAME ONE OF 10 LARGEST IN US
Compared to Fama/French Total US Market Research Index, 1927-2019



1. Ten largest companies by market capitalization.
2. Returns are measured as of start of first calendar year after a stock joins Top 10.

As companies grow to become some of the largest firms trading on the US stock market, the returns that push them there can be impressive. But not long after joining the Top 10 largest by market cap, these stocks, on average, lagged the market.

- From 1927 to 2019, the average annualized return for these stocks over the three years prior to joining the Top 10 was nearly 25% higher than the market. In the three years after, the edge was less than 1%.²
- Five years after joining the Top 10, these stocks were, on average, underperforming the market—a stark turnaround from their earlier advantage. The gap was even wider 10 years out.
- Intel is an illustrative example. The technology giant posted average annualized excess returns of 29% in the 10 years before the year it ascended to the Top 10 but, in the next decade, underperformed the broad market by nearly 6% per year. Similarly, the annualized excess return of Google five years before it hit the Top 10 dropped by about half in the five years after it joined the list.

Expectations about a firm's prospects are reflected in its current stock price. Positive news might lead to additional price appreciation, but those unexpected changes are not predictable.

MARTIN WEILER, FINANCIAL ADVISOR
FIRST CAPITAL FINANCIAL / WORLD SOURCE FINANCIAL MANAGEMENT INC
50 CORESLAB DR. DUNDAS, ON L9H 0B2
P: 519-829-1331 F: 833-869-8042
MARTIN@FCFCORP.CA

Mutual Funds and some Segregated Funds provided by the Fund Companies are offered by Martin Weiler, a registered representative, through Worldsource Financial Management Inc., sponsoring mutual fund dealer. Other Products and Services are offered through First Capital Financial Corporation. This email and any attachments are intended only for the recipient(s) named in this email and may contain personal and/or confidential information. If you have received this email in error, please email the sender immediately, and delete the original email. Dissemination, distribution, or copying of all or any part of this message by anyone other than the intended recipient(s) is not authorized. The information provided in this email and/or attachment/s is solely for general and educational purposes and is based on the perspectives and opinions of the owners and writers. It is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting, or professional advice. Please consult an appropriate professional regarding your particular circumstances. References to third party goods or services should not be regarded as an endorsement of those goods or services. All information provided is believed to be accurate and reliable, however, we cannot guarantee its accuracy. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or the fund facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.