

# Timeless Truths for Investing

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Firm Name

Event Date



# Jason Myhre

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## Jason Myhre

Director of Advocacy  
Managing Partner

### ROLE

Jason Myhre is a Managing Partner of Eventide, a Boston-based investment company practicing values-based investing. In his day-to-day work, Mr. Myhre serves as Director of Advocacy, where he advocates for the application of one's values to investment decision-making to investor, business, and popular audiences.

### BACKGROUND

- In prior roles at Eventide, Mr. Myhre led Marketing and Sales.
- Before joining Eventide, he worked in internal sales and managed key customer relationships for Altec.
- M.S. and a B.S. in Biological Engineering from the University of Florida

For informational purposes only.

# Important Information

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This presentation expresses the views of Eventide Asset Management, LLC's personnel, and there is no guarantee that such views are accurate. The opinions expressed in the presentation may ultimately prove to be wrong.

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# In January 2020...

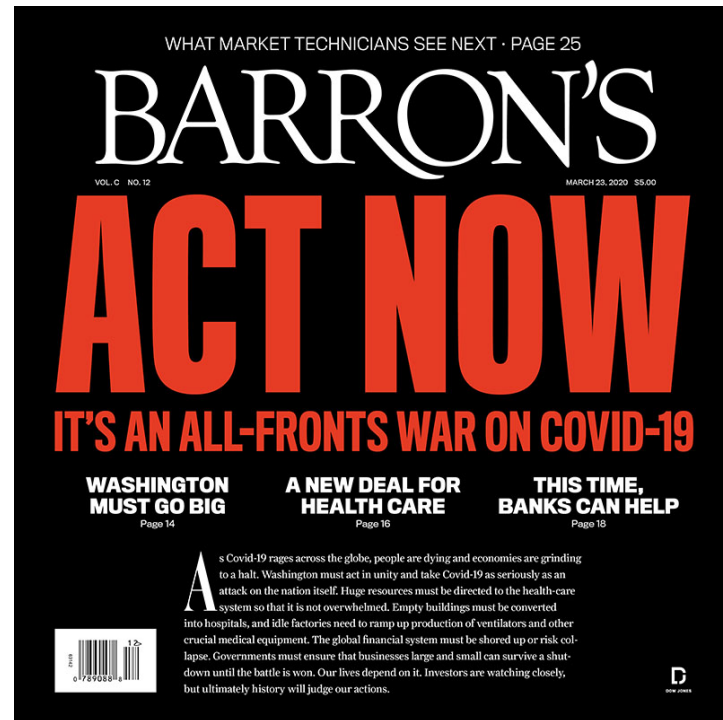


January 20, 2020

## The Method Behind the Melt-up: Why the Dow Won't Stop at 30,000

<https://www.barrons.com/magazine/20200120>

# A few months later...



March 23, 2020

## What Washington Needs to Do Right Now to Spare America a Second Great Depression

<https://www.barrons.com/magazine/20200323>



April 27, 2020

## In This Stock Market, Anything Could Cause the Next Panic

<https://www.barrons.com/magazine/20200427>

# In December 2020...



December 21, 2020

## The S&P 500 Could Gain Another 10% Next Year

<https://www.barrons.com/magazine/20201221>

# How should we think about investing in the market?



# Timeless truths for investing

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1. Keep your eye on the owner, not the dog.
2. Restrain yourself.
3. Employ a system that forces you to buy low.
4. Remember “the most powerful force in the universe.”
5. Invest in businesses, not markets.

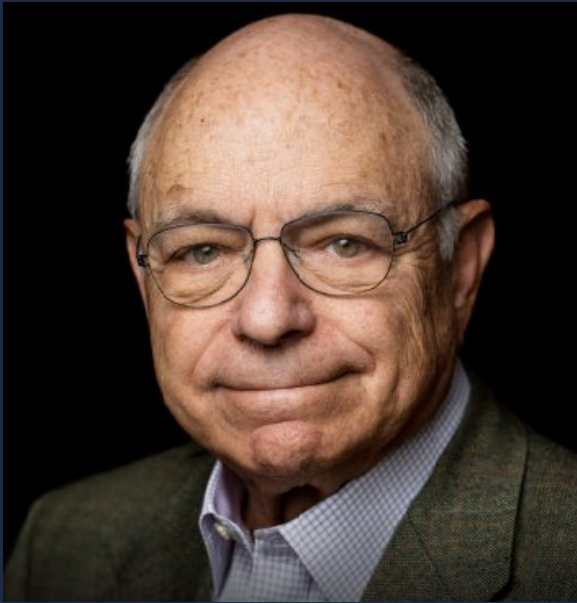
The above expresses the views of the Adviser, and there is no guarantee that such views are accurate. Quote source: Albert Einstein, <http://www.smartfamilyfinance.com/2015/02/compound-interest-the-greatest-invention-ever/>

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**Ralph Wanger**  
American Investor

Investor Ralph Wanger once explained how markets work, recalled by Bill Bernstein:

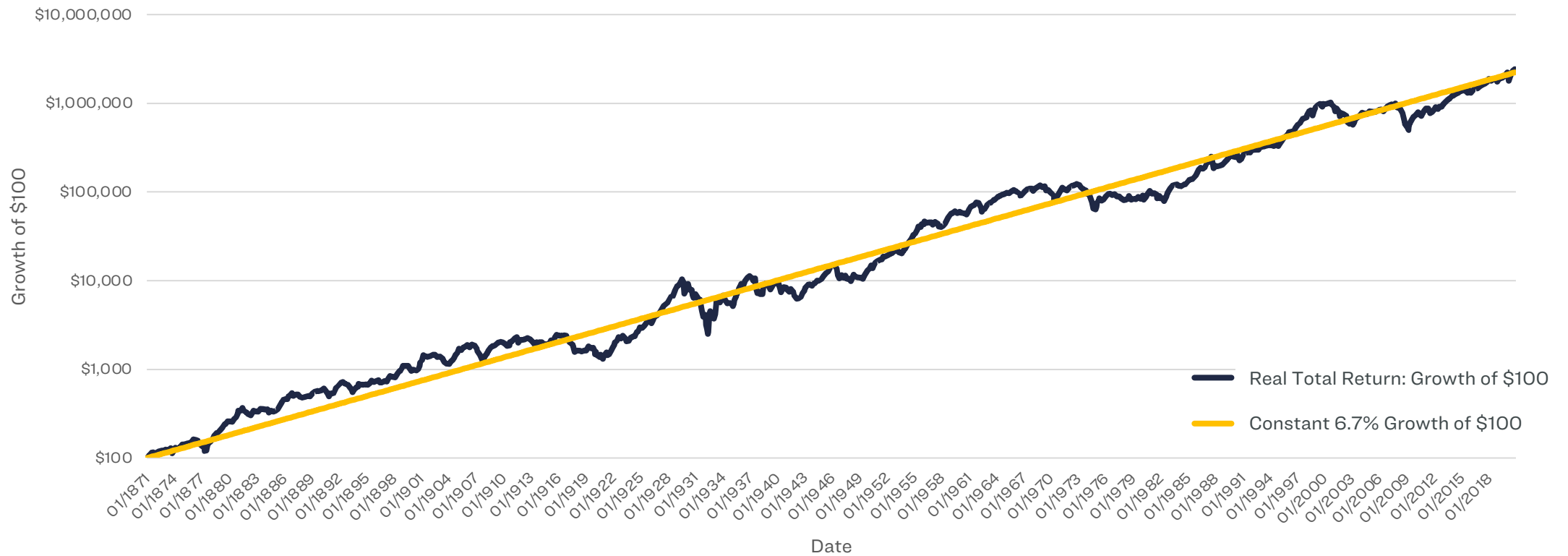
“He likens the market to an excitable dog on a very long leash in New York City, darting randomly in every direction. The dog’s owner is walking from Columbus Circle, through Central Park, to the Metropolitan Museum. At any one moment, there is no predicting which way the pooch will lurch. But in the long run, you know he’s heading northeast at an average speed of three miles per hour. **What is astonishing is that almost all the market players, big and small, seem to have their eye on the dog, and not the owner.**”

Source: Bill Bernstein, *The Four Pillars of Investing: Lessons For Building a Winning Portfolio*, 2010, p. 59.

# Keep your eye on the owner!

## U.S. Stock Market Real Total Return

Jan 1871 - Mar 2021



Source: Eventide Asset Management, Robert Shiller. January 1871 through March 2021 (March 2, 2021 close). Real Total Return is the S&P 500 Price Return adjusted for inflation with dividends reinvested. The S&P 500 is an index created by Standard & Poor's of American stocks with the largest market capitalization and is used to represent the stock market generally. It is not an investment available for purchase.



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# THE WALL STREET JOURNAL.

## Best Stock Fund of the Decade: CGM Focus

*By Eleanor Laise*

Updated Dec. 31, 2009 12:01 am ET

Meet the decade's best-performing U.S. diversified stock mutual fund: Ken Heebner's \$3.7 billion CGM Focus Fund, which rose more than 18% annually and outpaced its closest rival by more than three percentage points.

Source: Eleanor Laise, "Best Stock Fund of the Decade: CGM Focus," The Wall Street Journal, December 31, 2009. Accessed here on 03/27/2020: <https://www.wsj.com/articles/SB10001424052748704876804574628561609012716>

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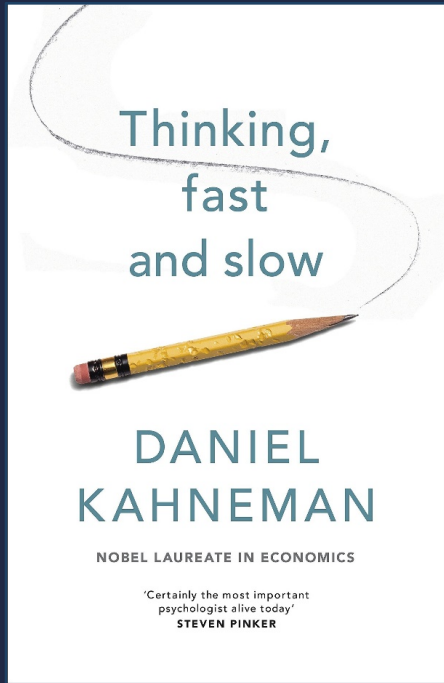
Too bad investors weren't around to enjoy much of those gains. The typical CGM Focus shareholder lost 11% annually in the 10 years ending Nov. 30, according to investment research firm Morningstar Inc.

Source: Eleanor Laise, "Best Stock Fund of the Decade: CGM Focus," The Wall Street Journal, December 31, 2009. Accessed here on 03/27/2020: <https://www.wsj.com/articles/SB10001424052748704876804574628561609012716>

These investor returns, also known as dollar-weighted returns, incorporate the effect of cash flowing in and out of the fund as shareholders buy and sell. Investor returns can be lower than mutual-fund total returns because shareholders often buy a fund after it has had a strong run and sell as it hits bottom.

Source: Eleanor Laise, "Best Stock Fund of the Decade: CGM Focus," The Wall Street Journal, December 31, 2009. Accessed here on 03/27/2020: <https://www.wsj.com/articles/SB10001424052748704876804574628561609012716>





“The premise of this book is that it is **easier to recognize other people’s mistakes than your own.**”

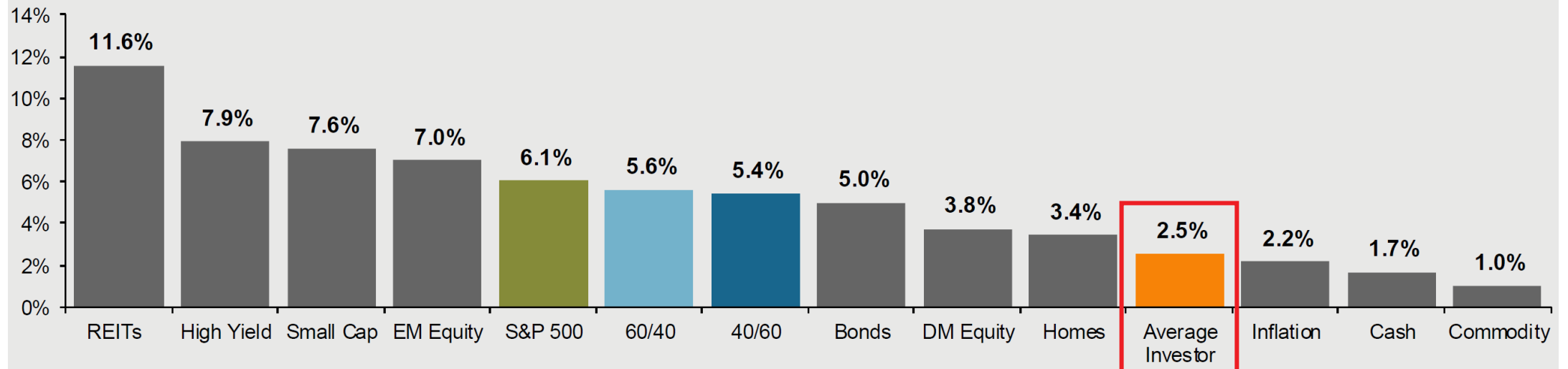
## Daniel Kahneman

### Thinking, Fast and Slow

Source: Daniel Kahneman, Thinking, Fast and Slow, 2011, p.1.

# We are our own worst enemy

**20-year annualized returns by asset class (1999 – 2019)**



Source: JP Morgan, Dalbar. Indices used are as follows: REITs: NAREIT Equity REIT Index, Small cap: Russell 2000, EM Equity: MSCI EM, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Bonds: Bloomberg Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Cash: Bloomberg Barclays 1-3m Treasury, Inflation: CPI. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/19 to match Dalbar's most recent analysis. Indices are not investment products for purchase.



“Finance would be better if it was taught by the **psychology and history departments** at universities.”

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## Morgan Housel

Partner at Collaborative Fund  
Former investing columnist

Source: Morgan Housel, “122 Things Everyone Should Know About Investing and the Economy,” The Motley Fool, December 12, 2014. Accessed online here: <https://www.fool.com/investing/general/2014/12/12/122-things-everyone-should-know-about-investing-an.aspx>



“The big money is not in the buying and selling, but **in the waiting.**”

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**Charlie Munger**  
American Investor  
Berkshire Hathaway

<https://www.re-thinkwealth.com/big-money-not-buying-selling-waiting/>



# Timeless truths for investing

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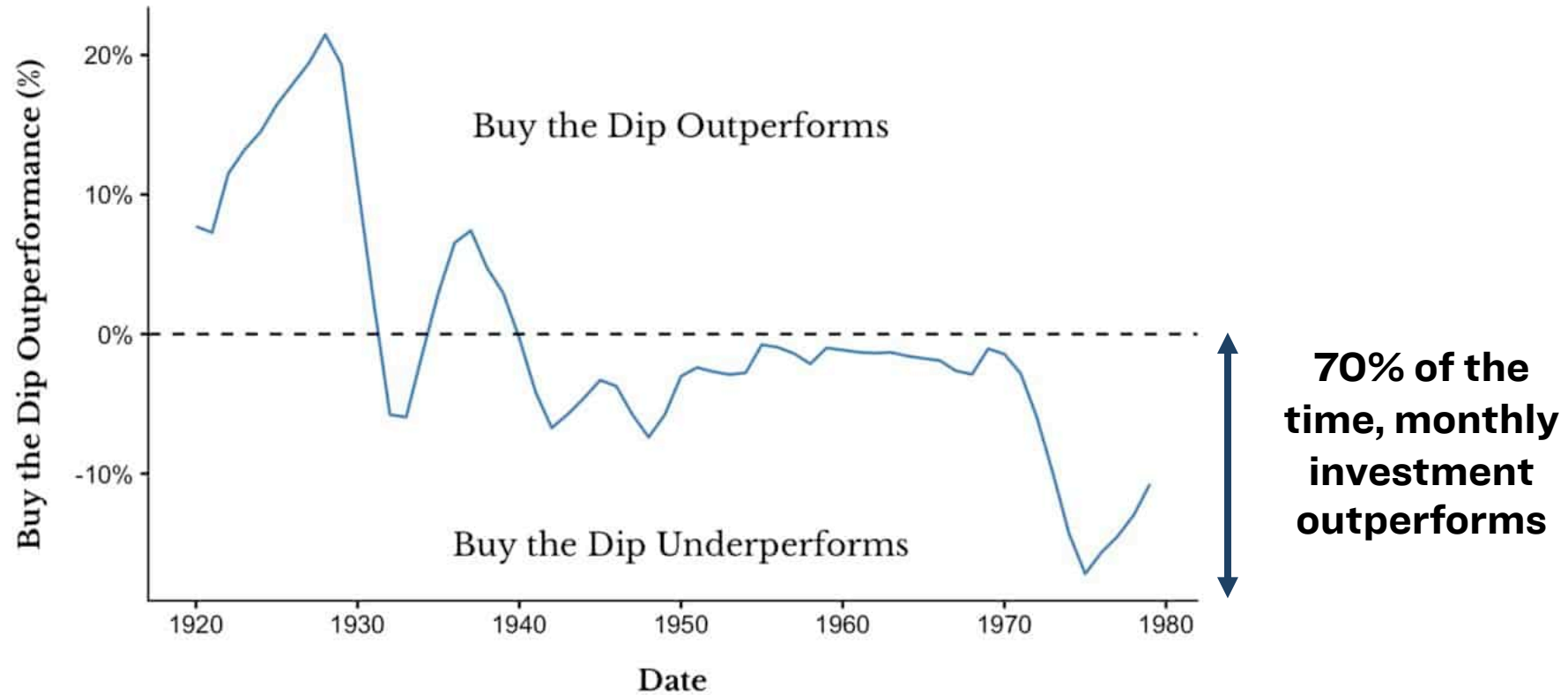
# An experiment

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- Let's suppose you are dropped into history anywhere between 1920 and 1979 and you must invest in the U.S. stock market for the next 40 years.
- You have two investment strategies to choose from:
  - **Option 1:** Invest \$100 per month
  - **Option 2:** Save that \$100 per month and 'buy the dips' in the market. But, with this option, I'll also grant you perfect knowledge of the future so that you always buy the dips on absolute bottoms.
- ***Which strategy would you choose?***

Source: Nick Maggiulli, "Even God Couldn't Beat Dollar-Cost Averaging," Of Dollars and Data, February 5, 2019. Accessed online here: [https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article\\_inline](https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article_inline)

## Buy the Dip vs. DCA All 40-Year Periods



Source: <http://www.econ.yale.edu/~shiller/data.htm> (OfDollarsAndData.com)

Note: The DCA strategy buys the S&P 500 every month and stays fully invested. The Buy the Dip strategy accumulates cash and buys at 'dips' in the S&P 500. The outperformance percentage is defined as how much more (or less) money that the Buy the Dip strategy has compared to the DCA strategy in the final period.

Source: Nick Maggiulli, "Even God Couldn't Beat Dollar-Cost Averaging," Of Dollars and Data, February 5, 2019. Accessed online here: [https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article\\_inline](https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article_inline)

# The result

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- Monthly investment outperforms ‘buy the dips’ **70% of the time.**
- And if we take away your perfect knowledge of the future and you mistime buying the dips by just two months, monthly investment outperforms **97% of the time.**
- ***How can this be?***

Source: Nick Maggiulli, “Even God Couldn’t Beat Dollar-Cost Averaging,” Of Dollars and Data, February 5, 2019. Accessed online here: [https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article\\_inline](https://ofdollarsanddata.com/even-god-couldnt-beat-dollar-cost-averaging/?mod=article_inline)



# What is dollar-cost averaging?

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- Dollar cost averaging is the practice of investing a fixed amount of money at regular intervals over time.
- For example, \$100 per month.
- By investing a fixed amount of money, this strategy buys more shares of an investment when prices are low, and less shares when prices are high.

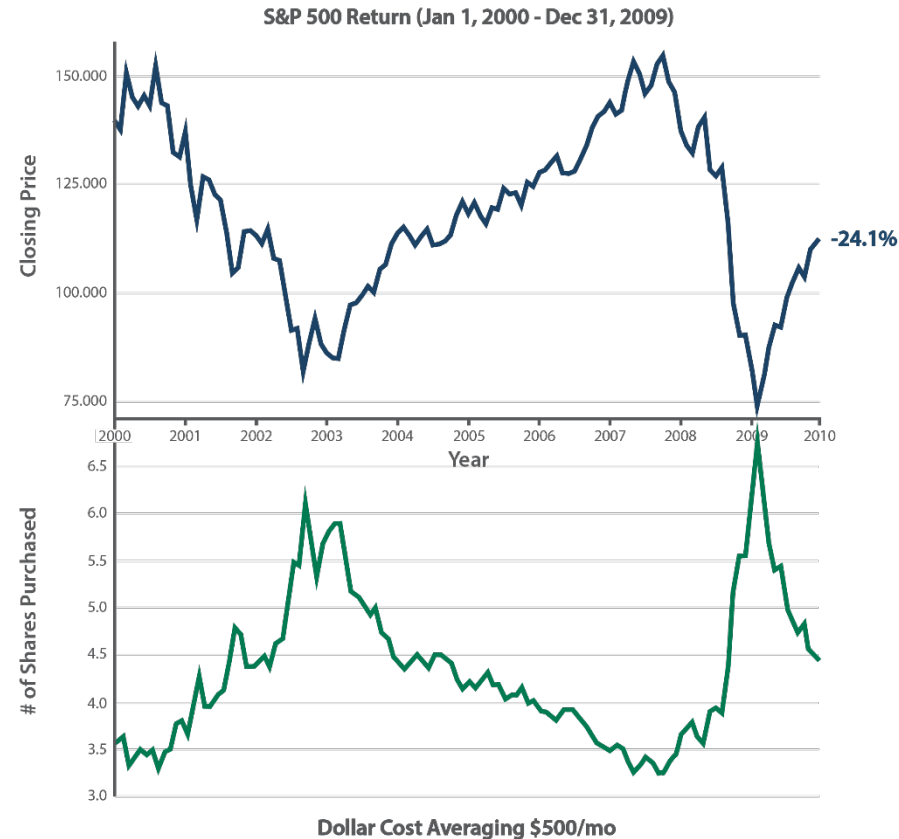
Dollar-cost averaging cannot guarantee a profit or protect against a loss, and you should consider your financial ability to continue purchases through periods of low-price levels.

# “The lost decade” in investing



Source: Eventide Asset Management. Chart shows the performance of the S&P 500. The S&P 500 is an index created by Standard & Poor’s of American stocks with the largest market capitalization and is used to represent the stock market generally. It is not an investment available for purchase. Shown for illustrative purposes only.

# Monthly investment buys more shares when prices are low



Dollar cost averaging purchases nearly twice as many shares when prices are low. What's more, your return would have been **+5.9%** over the period.

Source: Eventide Asset Management. "What Dollar Cost Averaging Did In The Lost Decade," Novel Investor. Accessed online here: <https://novelinvestor.com/dollar-cost-averaging-lost-decade/>. "How Ordinary Investors Trounced the Lost Decade," Motley Fool. Accessed online here: <https://www.fool.com/retirement/general/2010/01/20/how-ordinary-investors-trounced-the-lost-decade.aspx>.

Chart shows the performance of the S&P 500 along with the number of shares purchased through dollar cost averaging with \$500 monthly investment over the period. The S&P 500 is an index created by Standard & Poor's of American stocks with the largest market capitalization and is used to represent the stock market generally. It is not an investment available for purchase. Shown for illustrative purposes only.



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**Napoleon Bonaparte**  
French military &  
political leader

Napoleon's definition of military genius:

**“The man who can do the average thing when all those around him are going crazy.”**

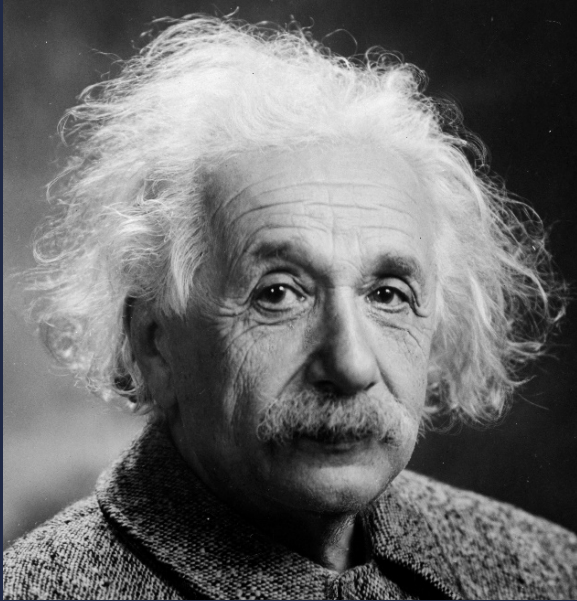
Source: <https://www.businessinsider.com/military-leaders-quotes-teach-investing-2015-11#maintain-your-long-term-strategy-during-times-of-volatility-13>

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“The most powerful force in the universe is compound interest.”

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**Albert Einstein**  
Scientist

Source: <http://www.smartfamilyfinance.com/2015/02/compound-interest-the-greatest-invention-ever/>

# A very expensive cup of coffee

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- If instead of spending \$3 per day on coffee, you invested that each month, after 40 years how much would you have?
- Assume the historical growth rate of the U.S. stock market of 6.7%.
- \$215,950.79



Source: Eventide Asset Management. The above expresses the views of the Adviser, and there is no guarantee that such views are accurate. Past performance is not assurance of future results.



# What is compound interest?

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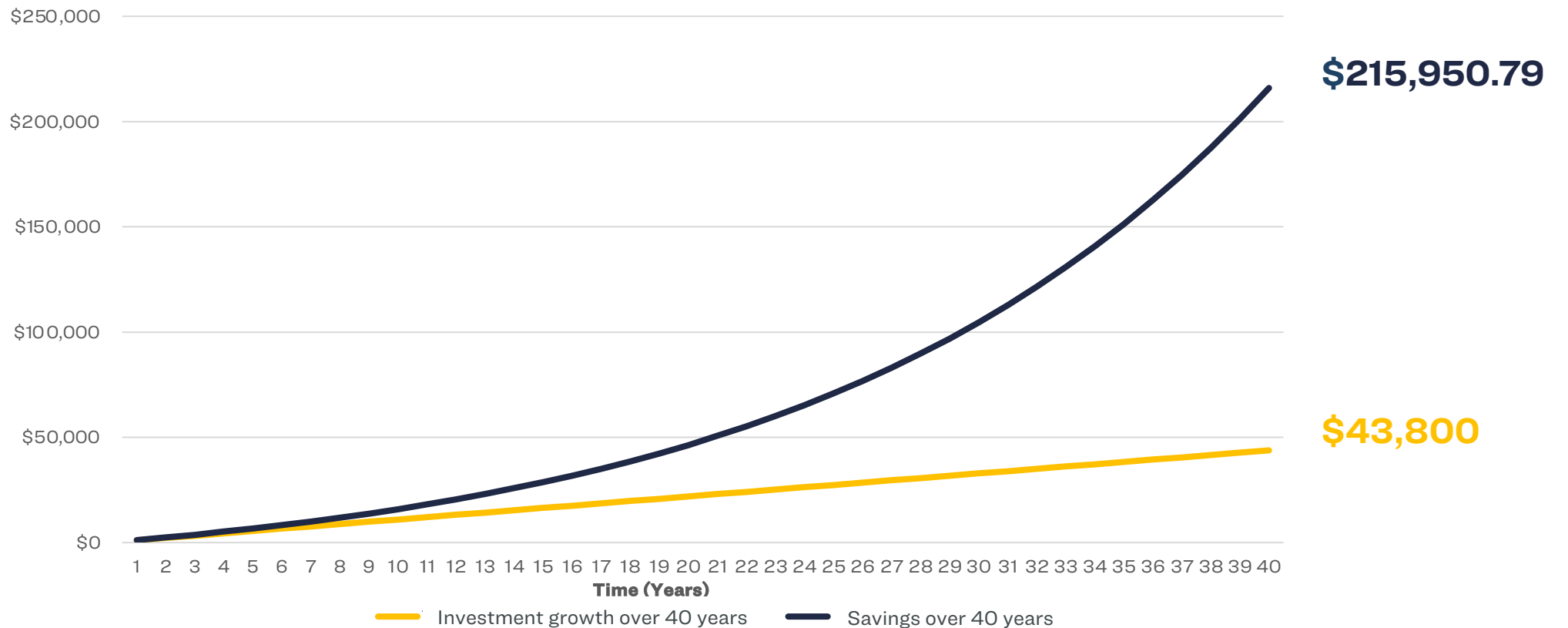
- “Money makes money. And money that makes money, makes money.” – Benjamin Franklin
- It’s helpful to see the math:
  - \$3 on coffee saved is \$1,095 for the year
  - Investing \$1095 at a growth rate of 6.7% = \$1,168.37 after one year
  - The next year, you invest another \$1,095, which is added to the \$1,168.37 = \$2,162.27. This amount grows again by 6.7% = \$2,415.01
  - And so on...

Quote source: <https://www.mymoneyblog.com/ben-franklin-compound-interest.html>

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# A very expensive cup of coffee

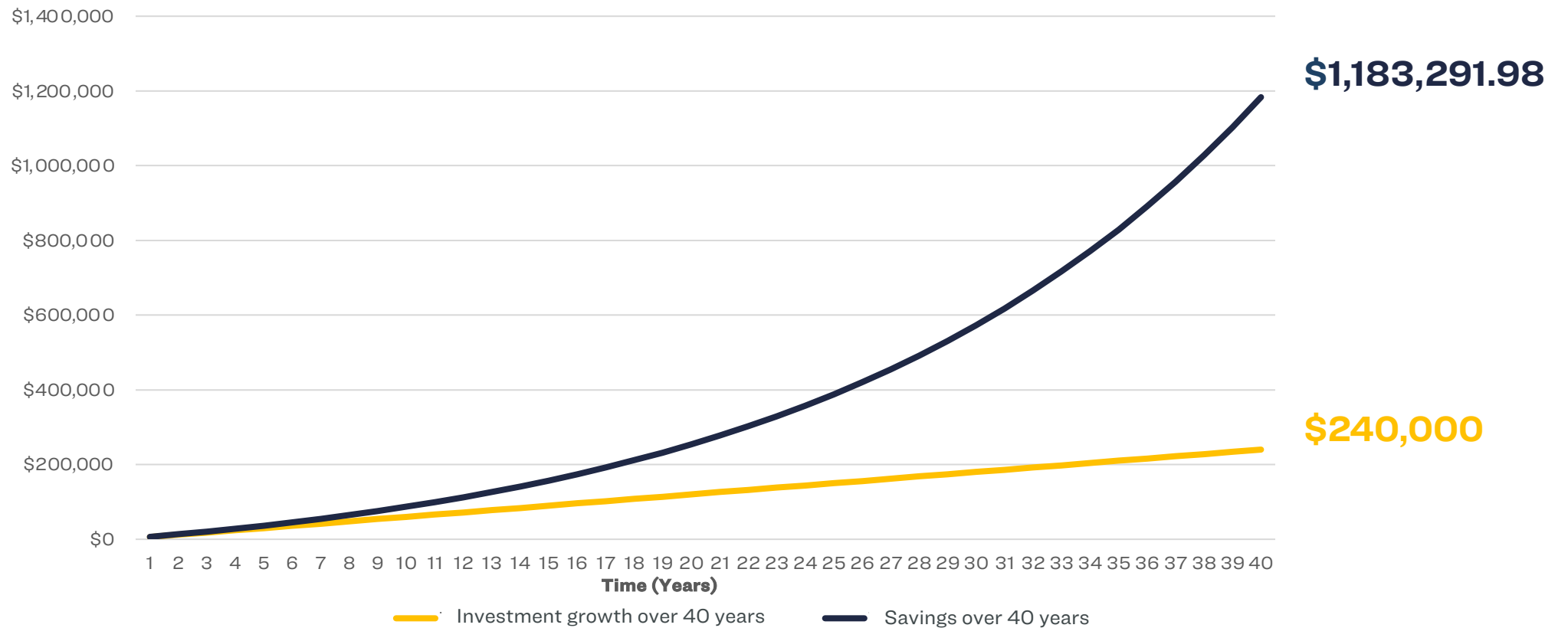
**Growth over time**



Source: Eventide Asset Management. For Illustration purposes only. Past performance is not assurance of future results.

# Illustration using the IRA contribution limit

**Investing \$6,000 per year at a 6.6% growth rate**



Source: Eventide Asset Management. For Illustration purposes only. Past performance is not assurance of future results.



“Time is on my side, yes, it is.”

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## The Rolling Stones

### Rock ‘n’ Roll Band

Source: <https://www.azlyrics.com/lyrics/rollingstones/timeisonmyside.html>



“The stock market is a device to transfer money from the impatient to the patient.”

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**Warren Buffet**  
American Investor  
Berkshire Hathaway

Source: <https://grow.acorns.com/investing-rules-that-warren-buffett-thinks-everyone-should-follow/>

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# Many people have lost sight of the true purpose of investing

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- Investing has long been divorced from its original and most basic purpose – supplying capital to businesses.
- Instead, many investors are trying to profit from the market itself rather than from any productive and intrinsic value of the underlying companies.
- When this company or ownership perspective is lost, our relationship becomes one of performance only, to go up and down with the rises and falls of the market.

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**William Cavanaugh**  
DePaul University

“Retirement accounts [...] tend to just go into mutual funds, where **not only do I not have any idea how the companies that I have stock in are being operated, I [also] don’t even know what companies I have stock in.** [And they’re] run by an elite of managers whose one preoccupation is with increasing the bottom line.”

Source: Mars Hill Audio Journal, Volume 95. For informational purposes only.



“I pride myself on **not** knowing what’s in our portfolios.”

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## Cliff Asness

Managing and Founding Principal  
AQR Capital Management

Source: 2016 Morningstar Conference. For informational purposes only.

# Investing is ownership

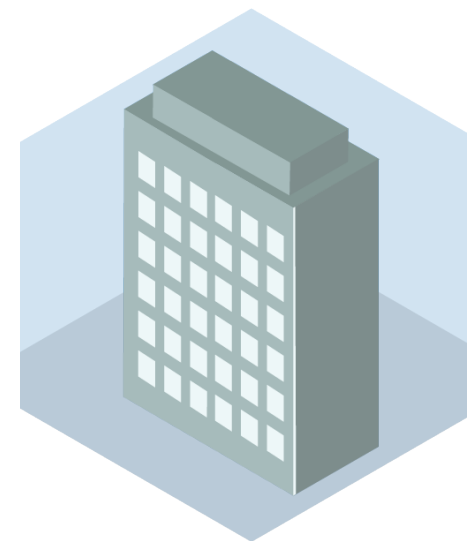


**Shareholders**

Supply Capital



Rights to Profits and Growth  
*Dividends, Stock appreciation*  
Ethical Responsibility  
*Positive and negative impacts*



**Company**

The above expresses the views of the Adviser, and there is no guarantee that such views are accurate.

**Since investing is ownership, the first and most basic questions of investing should be *ownership questions.***

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# Investing is ownership

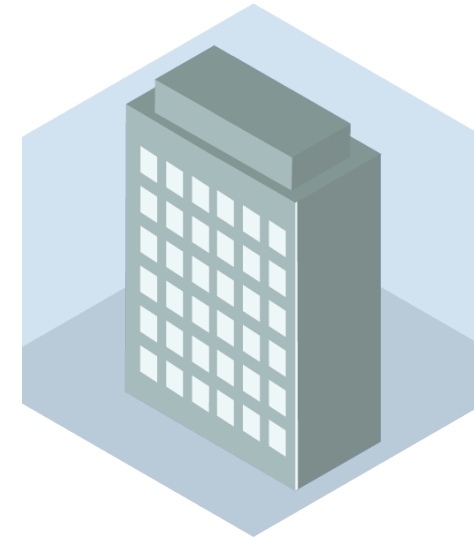


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# Investing is ownership



**Shareholders**

Supply Capital



**Rights to Profits and Growth**  
*Dividends, Stock appreciation*  
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*Positive and negative impacts*



**Company**  
**Management**

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# BUSINESS 360



Reference to Eventide's Business 360 approach is provided for illustrative purposes only and indicates a general framework of guiding principles that inform Eventide's overall research process.

# We should ask ourselves questions like:



- Would we want to work under the **leadership team**?
- How likely are we to **recommend their product/service** to a friend or colleague?
- Would we want **our son or daughter to work** at this company?
- On a scale from 1-10 (1 being a new flavor of gum and 10 being a cure for cancer), **how much value** does this product bring to humankind?\*
- If we walked into a supply center, would we be **proud of the quality and working conditions**?
- What would our reaction be if this company opened an office **in our neighborhood**? What about a supply center/plant/factory?
- Does this company's environmental policy and actions leave a **better planet** for our grandchildren?

Reference to Eventide's Business 360<sup>®</sup> approach is provided for illustrative purposes only and indicates a general framework of guiding principles that inform Eventide's overall research process.



“Many people have had the experience of purchasing a stock, becoming nervous as it declined, and then selling out at a loss – perhaps only to see it go right back up. On the other hand, if a person knows the business the stock represents, trusts management, and so comes to believe in the company, these declines are not so troubling. That person is a confident investor because history has shown that great businesses not only endure downturns but emerge even stronger – making these declines attractive points to invest further. When you understand the merits of the companies in which you invest and better appreciate what you own, you can transcend a mere chart-based, financial relationship in investing. You can then have greater confidence – and less stress – because you are not buying mere paper or a derivative, but quality businesses you know and trust. After all, life should not be spent staring at a computer screen, watching ticker gyrations, but instead free from needless stress.”

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**Finny Kuruvilla, MD, PhD**

Source: Eventide Asset Management

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**INVESTING THAT MAKES  
THE WORLD REJOICE.®**

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