GLOBAL WEALTH ADVISORS LLC
Registered Investment Advisor

INSIGHTS

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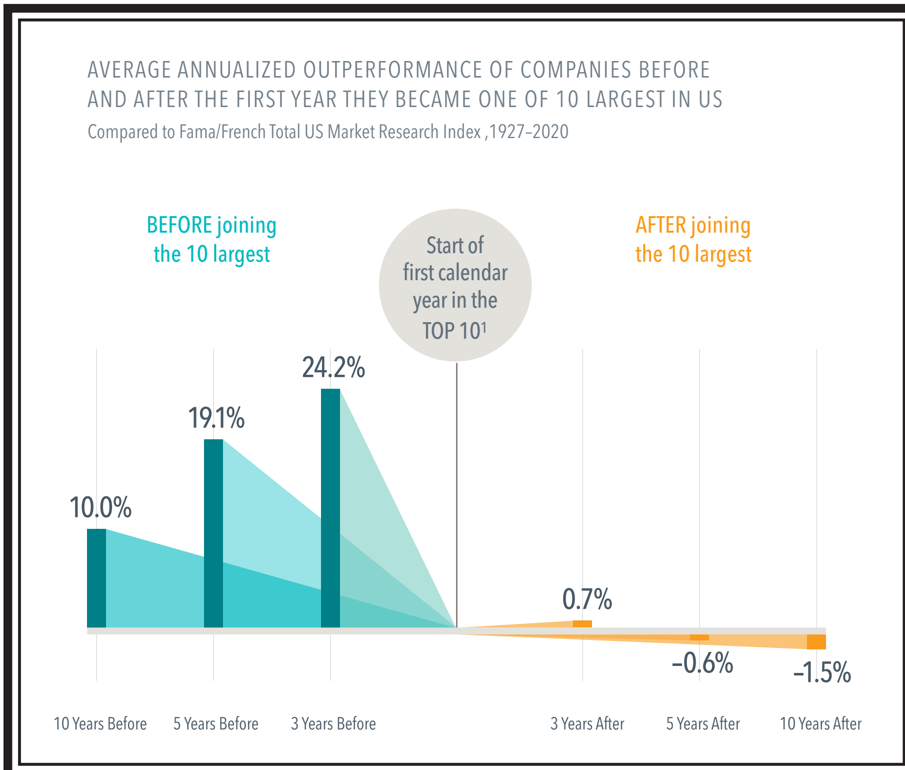
Why Investors Might Think Twice About Chasing the Biggest Stocks

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 2020, 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



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

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A Personal Note From Global Wealth Advisors

Summer is here and the pandemic numbers in the United States keep moving in the right direction. The number of new cases continues to trend downward and the number of people receiving vaccines continues to go up, slowly inching us closer to herd immunity. In addition, the health care guidelines and restrictions have been eased or eliminated for our day-to-day activities as we strive to get back to a more normal life.

The Federal government has continued with stimulus payments to individuals and states to help offset income lost during the pandemic. The latest portion of that assistance goes into effect July 15th by expanding the Child Tax Credit. For six months, families will receive $250 monthly for each child ages 6 to 17, and $300 for every kid younger than 6. The federal unemployment assistance is also winding down and that should lead to more people going back to work as well.

Lastly, the Federal Reserve Board has continued its policy of keeping interest rates very low in its efforts to help stimulate economic activity. This has led to consumers buying homes, automobiles and other big-ticket items, which in turn is driving corporate profits. This is being reflected in global stock market performance as YTD and 1 Year total return numbers have been strong. As we always say, when investing, think long-term -- you'll be glad you did.

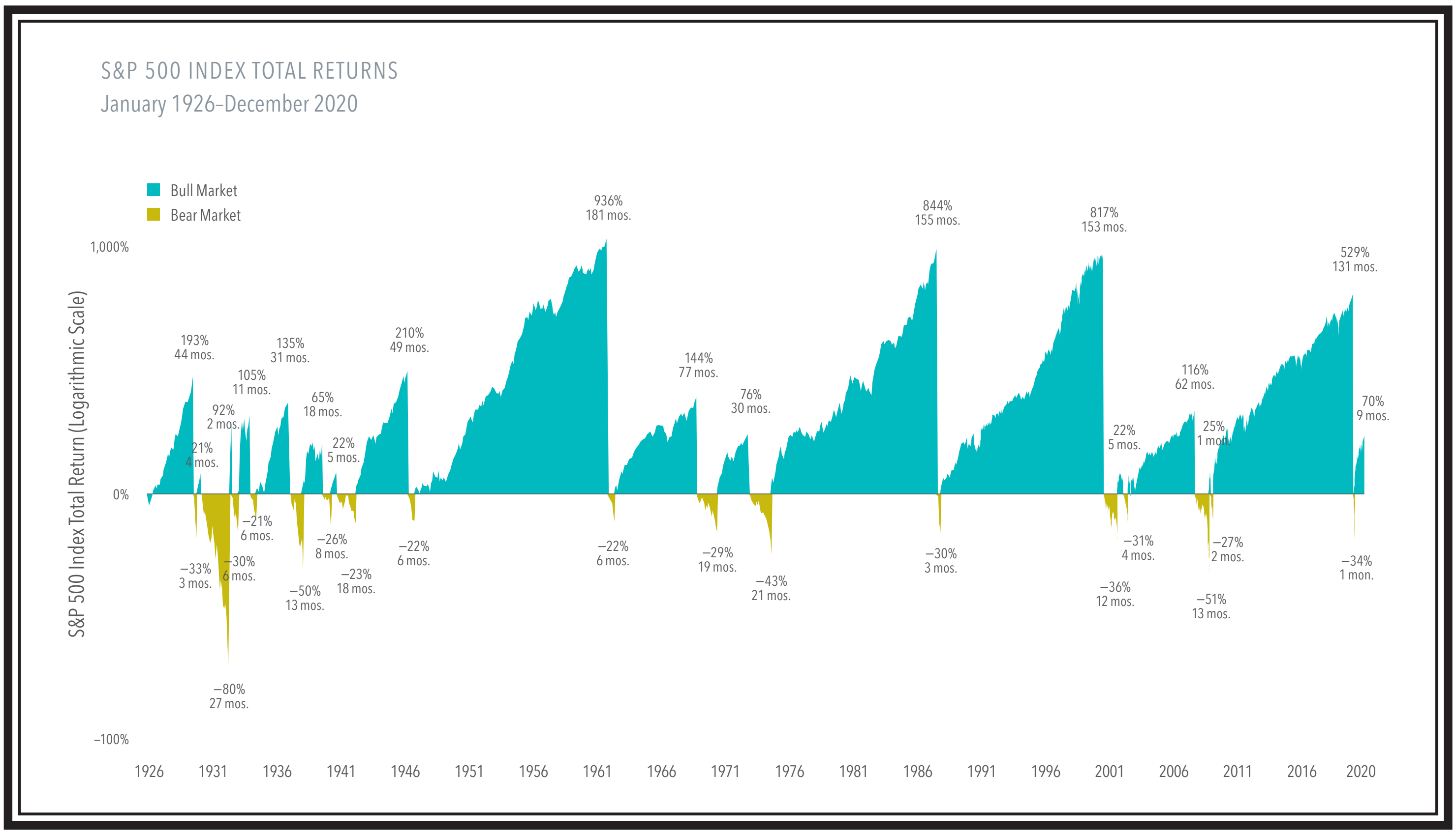
Jim Knaus Mike Krencicki

Bulls, Bears, and Long-Term Benefits of Stock Investing

Stock returns are volatile, but nearly a century of bull and bear markets shows that the good times have outshined the bad times.

- From 1926 through 2020, the S&P 500 Index experienced 17 bear markets, or a fall of at least 20% from a previous peak. The declines ranged from —21%to —80% across an average length of around 10 months.
- On the upside, there were 18 bull markets, or gains of at least 20% from a previous trough. They averaged 54 months in length, and advances ranged from 21% to 936%.
- When the bull and bear markets are viewed together, it's clear equities have rewarded disciplined investors.

The stock market's ups and downs are unpredictable, but history supports an expectation of positive returns over the long term. For the best shot at the benefits the market can offer, stay the course.

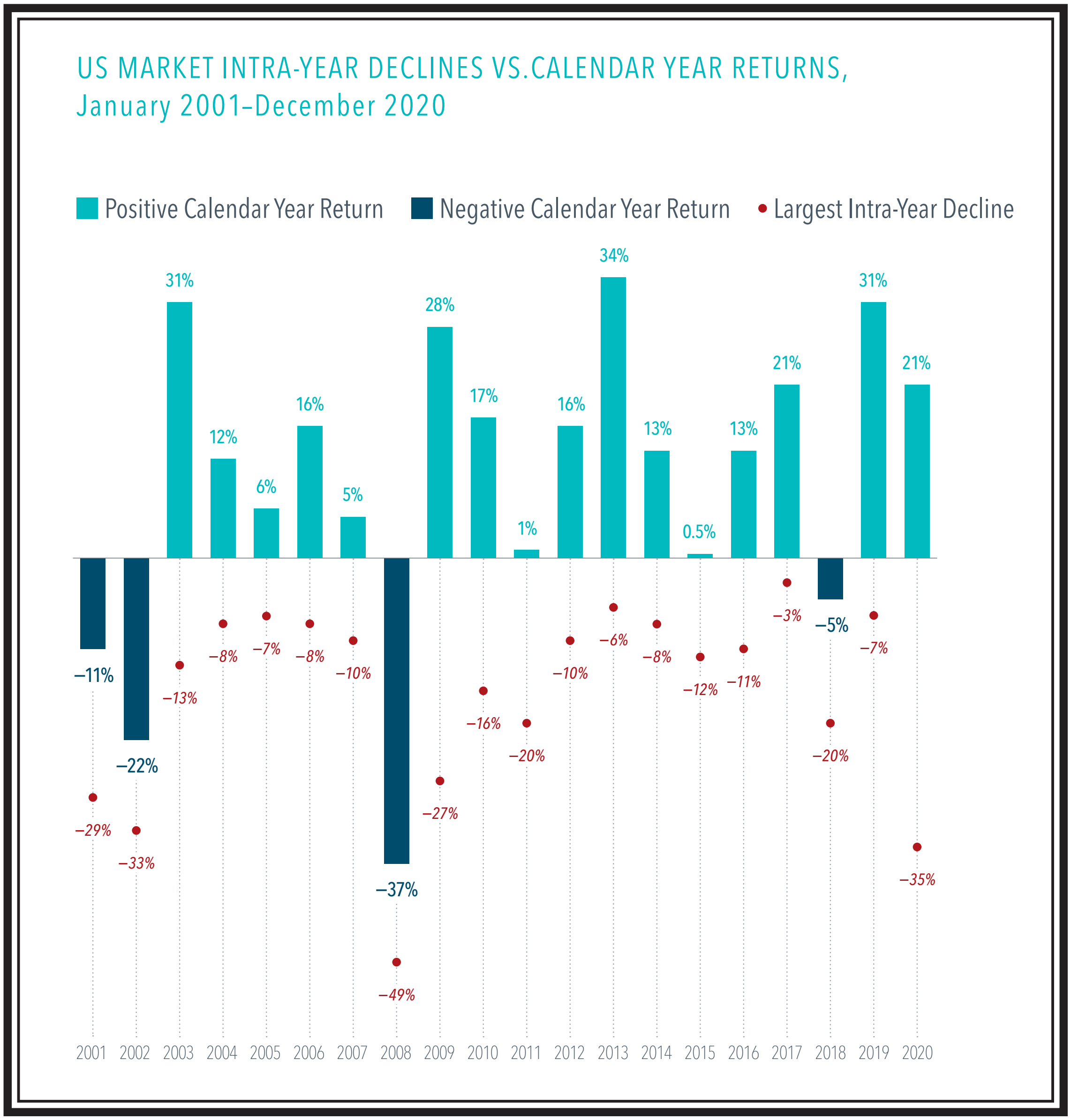


Do Downturns Lead to Down Years?

Stock market declines over a few days or months may lead investors to anticipate a down year. But the US stock market had positive returns in 16 of the past 20 calendar years, despite some notable dips in many of those years.

- Intra-year declines for the index ranged from 3% to 49%.
- Many years with large intra-year declines saw positive annual returns. In 16 of the last 20 years, US stocks ended up with gains for the year.
- Even in 2020, when there were sharp market declines associated with the coronavirus pandemic, US stocks ended the year with gains of 21%.

Volatility is a normal part of investing. Tumbles may be scary, but they shouldn't be surprising. A long-term focus can help investors keep perspective.



Long-Term Investors, Don't Let a Recession Faze You

In the past century, there have been 15 recessions in the US. In 11 of those instances, stock returns were positive two years after the recession began.

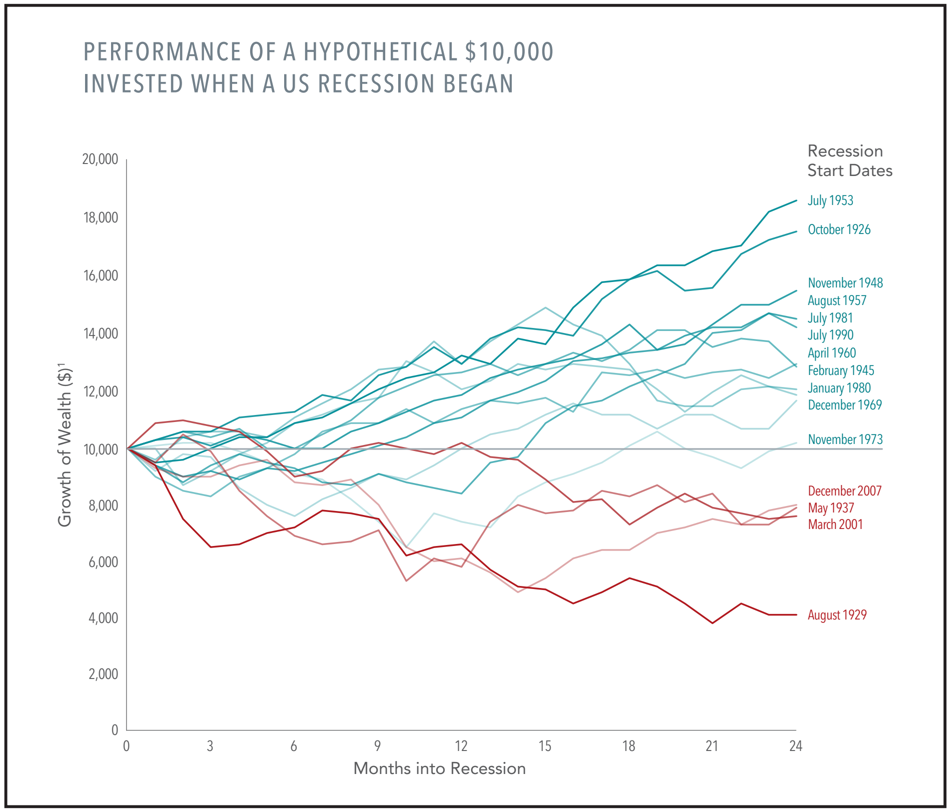
- Investors may be tempted to abandon equities and go to cash when there is heightened risk of an economic downturn.

- But research has shown that stock prices incorporate expectations of a recession and generally have fallen in value before a recession even begins.

- The average annualized return two years after the onset of these 15 recessions was 7.8%.

- A $10,000 investment at the peak of the business cycle would have grown to $11,937, after two years on average.

Recessions understandably trigger worries. But a history of positive average performance following a recession can be a comfort for investors wondering about sticking with stocks.



1. Growth of wealth for the Fama/French Total US Market Research Index.

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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.

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