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Past Performance is No Guarantee of Future Results

Have you ever changed lanes in traffic because the lane beside you appeared to be moving faster? You watch several cars pass while your lane barely moves. Eventually, you lose patience, turn on your signal and move into the faster lane. Almost immediately, your new lane slows to a stop, while the lane you abandoned begins moving again.

The decision seemed perfectly reasonable. You observed which lane had been moving fastest and assumed it would continue to move fastest. The problem was that you used what had just happened to predict what would happen next.

As investors, we should fight this urge.

Ask someone whether it makes sense to buy low and sell high, and they will enthusiastically agree. Then, almost in the same breath, they may demand that we sell the investments that have not been performing well and purchase the ones that have.

In practice, this is essentially equivalent to selling low and buying high.

Some variation of **"past performance is no guarantee of future results"** appears on nearly every piece of investment literature. Yet recent performance is still placed front and center and often becomes the primary basis for decisions.

What happened today? What happened this week? How did we do this month? How are we doing year to date? Which investments have performed best over the last five years?

Every one of these questions is about the past. They may tell us which lane has recently been moving fastest, but they do not necessarily tell us which one will move fastest from here.

There is an overwhelmingly powerful feeling that something performing well will continue to perform well—and that something performing poorly will continue to perform poorly. The evidence, however, suggests that an investment or asset class performing well last month, last year or even over the last five years has little connection to how it will perform tomorrow, next year or over the next five years - **past performance is no guarantee of future results.** The Standard & Poor's Persistence Scorecard illustrates the danger of relying on recent performance better than almost anything else I have seen:[1]

Fund Category	Fund Count at Start (December 2021)	Percentage Remaining in Top Quartile			
		December 2022	December 2023	December 2024	December 2025
Top Quartile					
All Domestic Funds	505	35.05	0.40	0.00	0.00

At the end of 2021, **505 actively managed domestic equity funds ranked among the top 25% of performers**.

One year later, only **35.05%** of those funds remained in the top quartile.

By the end of 2023, only **0.40%** remained.

By the end of 2024, **none of the original 505 funds remained in the top quartile**.

At the end of 2025, the number was still **0.00%**.

This does not mean that good investment managers or sound investment processes do not exist. It means that identifying them based on recent performance rankings is futile.

The investment at the top of the performance chart may simply be the lane that has recently moved fastest. By the time we notice it, much of the movement may have already occurred. Changing lanes does not guarantee that we will arrive any sooner—and repeatedly moving from one lane to another may leave us worse off than if we had remained patient.

A friend and colleague once described his most successful client. He was not referring to the person with the largest account balance, the highest net worth or the most successful business. He was referring to a client who had remained calm and focused on the long term for decades.

“She is an 85-year-old lady who does not own a computer, refuses to watch the news and shreds her investment statements without opening them.”

I am not suggesting that you shred your statements. I am suggesting that the ability to ignore short-term fluctuations, resist chasing recent performance and remain committed to a disciplined long-term process is the most powerful contributors to a successful investment outcome.

As always, please give me a call if you would like to discuss this or anything else on your mind.

My Very Best,

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1 Performance Persistence. Sourced from: https://www.spglobal.com/spdji/en/documents/spiva/ persistence-scorecard-year-end-2025.pdf

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