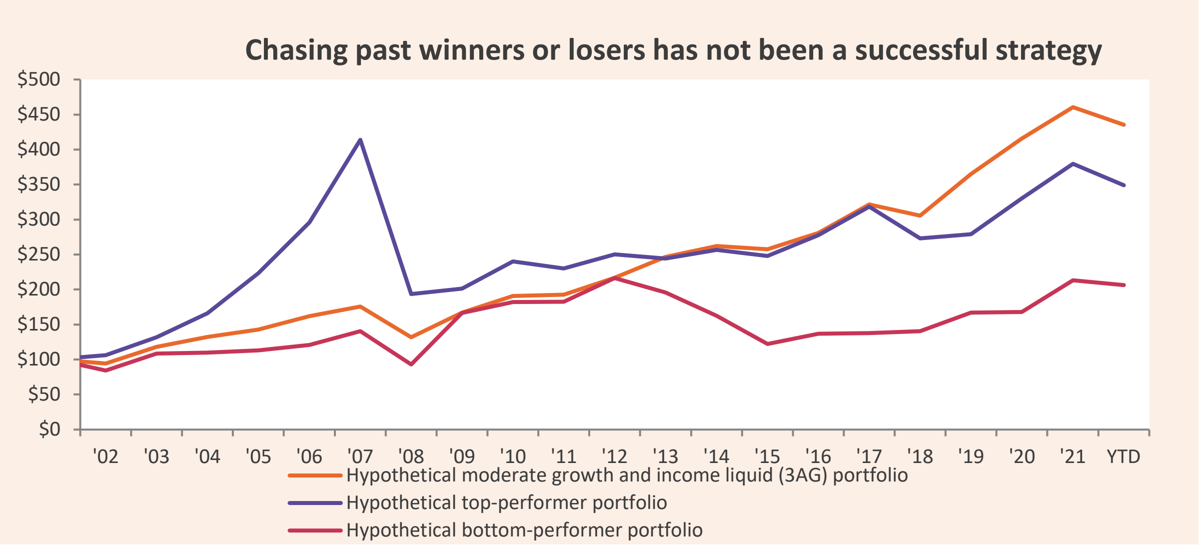
Behavioral biases could be costly



Sources: © 2022 – Morningstar Direct, All Rights Reserved[1], Wells Fargo Investment Institute. Data from December 31, 2001 to March 31, 2022. Indexed to 100 as of December 31, 2001. YTD = year to date. The top performer portfolio consists of the top performing asset class of the previous year invested 100% in the portfolio in the current year. The bottom performer portfolio consists of the bottom performing asset class of the previous year invested 100% in the portfolio in the current year. Portfolio compositions are provided on following slide. Performance results for the Moderate Growth and Income Liquid (3AG) Portfolio and the top and bottom performer portfolios are hypothetical and do not represent an actual portfolio in existence now or during the time period shown. Index return information is provided for illustrative purposes only. Index returns do not represent investment performance or the results of actual trading. Index returns represent general market results, assume the reinvestment of dividends and other distributions and do not reflect deduction for fees, expenses or taxes applicable to an actual investment. **Hypothetical and past performance is no guarantee of future results.** Unlike most asset class Indexes, HFR Index returns reflect deduction for fees. Because the HFR Indexes are calculated based on information that is voluntarily provided actual returns may be lower than those reported. An index is unmanaged and not available for direct investment. **Hypothetical and past performance do not guarantee of future results**. See following pages for portfolio compositions, risks and index definitions.

Key takeaways

- Chasing the previous year's top-performing asset class or worst-performing investment is a strategy that some investors have tended to follow.
- We have found that following the best-performing asset class (hot hand fallacy) and worst-performing investment (gambler's fallacy) did not result in better performance than a diversified portfolio.