Key Questions

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What Can Coco Gauff Teach Us About Investing?

George Mateyo, Chief Investment Officer

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Earlier this month, a 19-year-old athlete took the tennis world by storm. She claimed her first major singles title at the iconic US Open tennis tournament, the first American teenager to win a Grand Slam title since the legendary Serena Williams did so 24 years earlier. Moreover, the way in which the game's newest superstar claimed her first championship offers some important lessons for investors as well.

Cori Dionne "Coco" Gauff began to play tennis at age six. Within four years, she was winning national tournaments, beating opponents several years her senior. At age 13, she finished runner-up in the junior-level US Open, making her the youngest tennis player to ever reach the finals. A year later, at age 14, Gauff became the number one-ranked junior player in the world, and soon thereafter, she turned pro.

At this year's US Open championship match, Gauff faced a daunting rival, number one-ranked Aryna Sabalenka from Belarus, who had also compiled an impressive list of accomplishments at a very young age. Sabalenka was regarded as having one of the game's most dominating forehands and a powerful serve. In brief, Sabalenka was a formidable opponent.

In the first set, Sabalenka was the decisive winner, breaking Gauff's serve three times and winning the last four consecutive games. This afforded Sabalenka with considerable momentum early in the match, but then the tide turned.

As noted on the US Tennis Association's web site, "Gauff's already sterling defense became nearly impenetrable as she vigorously raced down nearly every ball, drawing more errors from Sabalenka," culminating in Gauff claiming the second set. "Then, spreading the court with excellent angles while losing none of her speed, Gauff built a commanding lead, propelling her to victory punctuated by a sublime passing winner."

At the end of the match, the unaware could have concluded, based on several metrics, that the championship had gone to Sabalenka or, at worst, resulted in a tie. Sabalenka aced Gauff four times, whereas Gauff only aced Sabalenka two times. Sabalenka won 65% of her points on her first serve, compared with 62% for Gauff. Most notably, Sabalenka recorded 25 winners, nearly twice as many as the 13 recorded by Gauff.

Yet, one statistic seemingly reveals the essence of Gauff's strategy for success: over the course of a two-plus-hour match that consisted of more than 150 total points, Gauff committed merely 19 unforced errors, whereas Sabalenka committed 46 of them. According to Merriam-Webster, an unforced error is, "a missed shot (as in tennis) that is entirely the result of the player's own blunder, not because of the opponent's skill or effort."

Implications for investors are threefold.

First, **a good offense starts with a strong defense.** In investment terms, this means establishing a robust investment plan that is intrinsically linked to the investors' goals and objectives and designing an asset allocation strategy by evaluating risk considerations before return considerations. To paraphrase one of my favorite investment practitioners: A well-crafted investment policy is the perfect prescription for panic.

Second, **play your own game and play to your strengths.** Often, people make investment decisions based on what others are doing (or claim to be doing), either by copying them or betting against them. The challenge with this strategy is the simple fact that we usually don't know why people are making such decisions in the first place, how long they'll continue to endorse their original decision, or when (and why) they might change their minds. Moreover, who's to say that other people's goals are the same as yours? Most likely, they're not.

Lastly, **minimize unforced errors.** Chief among them, don't become beholden to short-term changes in market values. Often, shifting market values say very little about an investment's intrinsic (or underlying) value and instead say a lot about the short-term whims and emotions of others. Citing another mentor of mine: "Don't confuse motion with progress."

Relatedly, and while not directly apparent in the above-cited statistics, Gauff's victory was a clear statement about her discipline and her deeply rooted commitment to her craft. These are also laudable traits and worthy of consideration by any serious investor.

For more information, please contact your advisor.

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