

Casey Mullooly: In episode 285, we talk about the bright, shiny object. Keep watching.

Casey Mullooly: Welcome back to the Mullooly Asset Show. This is episode 285, Casey Mullooly back in the saddle with you here this week. It's good to be back. And we're not big proponents of chasing the latest, bright, shiny object. And for our reasons why, you can watch the previous 284 videos that we've done, and that's going to wrap it up for you. I'm just kidding. We're going to talk about a piece of research from Morningstar that looked at thematic funds.

Casey Mullooly: So thematic funds are highly specific funds that investment companies make to try and allow people to invest in the latest and greatest hot new ideas that society's paying attention to. So it's hard out there because there's always a new idea and they sound really appealing.

We've got ESG, AI, electric vehicle funds, meme stock funds, crypto funds, corporate culture leader funds, battery value chain and innovation funds, global seed to sky cargo funds. Does it sound like I'm just making up words? I'm not, these are real funds that have been created just in the first two months this year, just in January and February. And of course, those are not recommendations to buy or sell any of those funds. And I'm not talking down on the merit or the ideas.

Casey Mullooly: If you believe in those areas or those ideas, then putting your dollars behind your beliefs is an appealing way for many people to invest their funds. So if that's your thing then have at it, just my point is that these funds are highly specific and oftentimes complex and can divert people's attention and kind of distract people from what they actually need to be or what we think they actually should be investing in.

So back to the Morningstar piece, there were 589, almost 600 of these thematic funds created just in 2021. And that's up from 270 thematic funds created in 2020. So the thematic fund space is just exploding, but over the 10 years ended in 2021. So from 2011 to 2021, 60% of the thematic funds of the US thematic funds created in Morningstar's database have shuttered, which means they closed, which means they don't exist anymore.

Casey Mullooly: And just 22% of the thematic funds created over 10 year period both survived and outperformed the Morningstar Global Market Index. Is that another way you're better off investing in just the broad market in almost eight out of 10 instances.

So in general, the more highly specific and the more complicated an investment product sounds, the riskier and worse off it is for you. Again, that's just our opinion, but we like to keep things simple here, which doesn't mean we're not paying attention to, or researching or investing in the hottest areas of the market.

That is something that we do, but we've developed a discipline around it and we've developed a process around it to make sure that we don't get caught chasing the latest and greatest, bright, shiny object. So that's the message for episode 285. Don't get caught chasing the bright, shiny object. We'll see you next time.