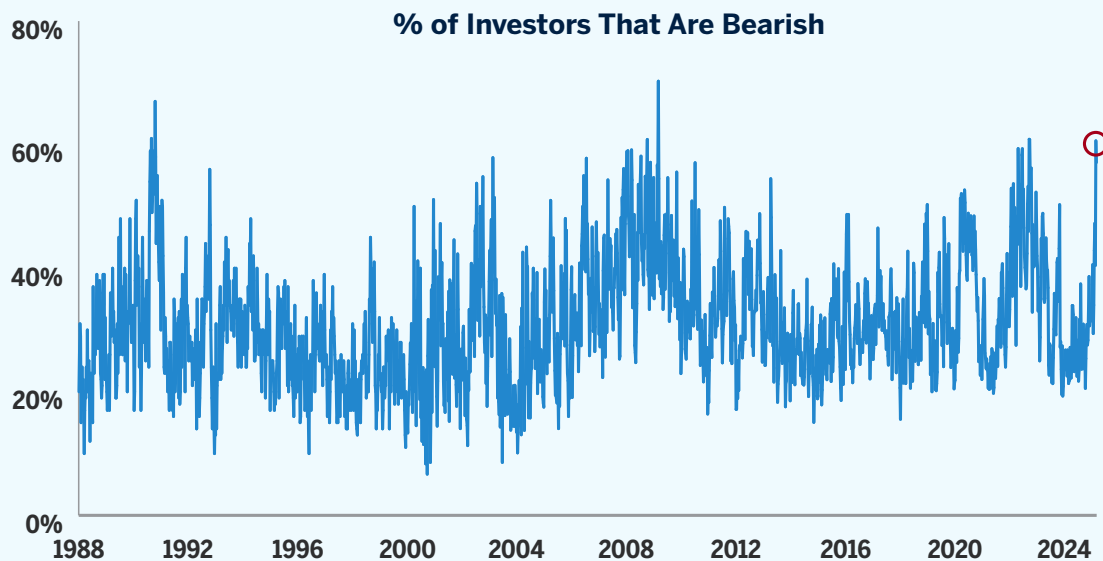


## Should Investors be Greedy?

In the 1986 Berkshire Hathaway Chairman's Letter, Warren Buffett stated, "we simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." With recent market volatility driven largely by President Donald Trump's proposed trade tariffs, investor anxiety is palpable—but could this uncertainty signal a hidden opportunity for long-term investors?

### Investor Sentiment Turns Very Negative



Source: The American Association of Individual Investors Sentiment Survey as of 3/6/25.

- The American Association of Individual Investors (AII) conducts a weekly survey on investor sentiment. On average, 37.5% of investors have historically identified themselves as bullish, 31.5% as neutral, and 31.0% as bearish. However, at the end of February 2025, the proportion of investors identifying as bearish surged to 60.6%, as shown in the chart above.
- The last time investors were this pessimistic was in September of 2022, when the Consumer Price Index reported an annual 8% inflation reading. At that time, the S&P 500 Index was trading below 3,800, setting the stage for a sustained bull market. From that point through the end of February 2025, the S&P 500 generated a cumulative total return of 70%<sup>1</sup>, partially catalyzed by the introduction of ChatGPT, which ignited strong enthusiasm for artificial intelligence.
- Historically, when the AII survey has registered bearish investors greater than 60%, the average subsequent 12-month return has been 24%. While it may be tempting to reduce risk and equity exposure during inevitable market drawdowns, history may suggest that long-term investors could be well served by taking a contrarian approach to the recent anxiety.

<sup>1</sup> The S&P 500 cumulative total return was calculated from 9/29/2022 through 2/28/2025. **Past performance is not indicative of future performance.**

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The American Association of Individual Investors (AAII) provides education, research, and insights into market behavior. Its AAIL Sentiment Survey gauges the market outlook of individual investors on a weekly basis and typically collects responses from around 500 individual investors. The survey asks participants to indicate whether they are bullish, neutral, or bearish on the market, offering a snapshot of investor sentiment.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

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