



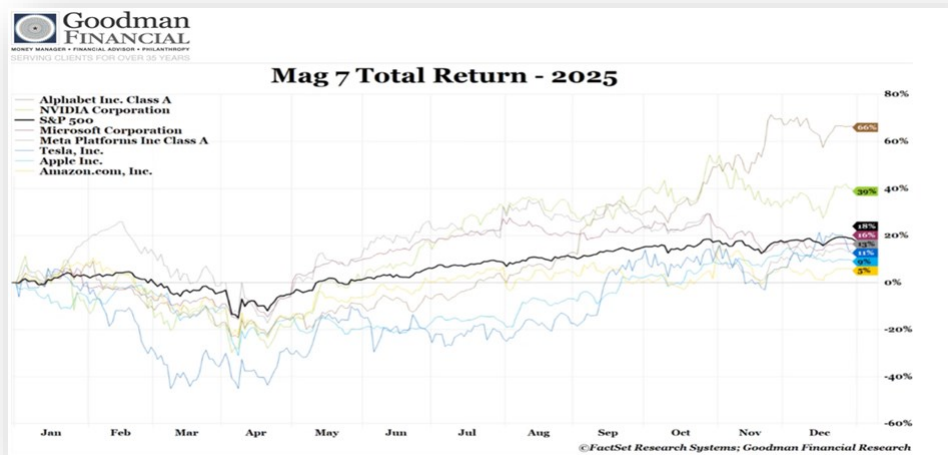
Death by Acronym: The Hidden Risk of Bandwagon Investing

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Over the years we have seen investors flock to popular themes, drawn to simple narratives and acronyms that make markets seem understandable. Once a theme becomes catchy, potential gains are often gone, leaving investors with little return.

Drawing a parallel to the classic Western film *The Magnificent Seven*, Bank of America strategist Michael Hartnett coined the phrase "Magnificent Seven" in reference to the mega-cap technology companies (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla) that dominated market performance in 2023. The phrase captured the market zeitgeist as it also converged with the growth of the Artificial Intelligence theme after the first version of ChatGPT was released in late 2022. Since then, the Magnificent Seven has been the topic of countless articles and market commentaries (including ours), emblematic of what some consider market excess and others consider market opportunity.

In 2023 and 2024, the group did dominate S&P 500 returns and was responsible for roughly 75% of the index's gains. Results were tepid in 2025, as only two of the seven actually outperformed the S&P 500. The return dispersion within the Magnificent Seven, which was a 61% spread from the best performer Alphabet to the worst performer Amazon, may have put a nail in the coffin for the Magnificent Seven to last as a singular investment theme.



As the bloom comes off the Magnificent Seven rose, we recall other catchy themes and acronyms in recent history. While many of them did eventually end up in the investment graveyard, the lessons on how they are formed and how they eventually faltered are important.

The Nifty Fifty era of the late 1960s/early 1970s: This was a group of fifty blue-chip growth stocks that drove market performance for years. Coca-Cola, Xerox, McDonald's, Avon, Disney, and Polaroid were examples of high-quality growth companies the market felt could succeed in any economic environment. Known as "one-decision" stocks, they were considered so stable that investors would never need to make a second decision to sell them. At their peak in late 1972, the Nifty Fifty traded at an average Price to Earnings (P/E) ratio above 40x, more than double the S&P 500's roughly 19x P/E. Polaroid was at nearly 95x earnings and Avon Products traded at 65x. An unexpected oil shock then happened in 1973, which caused a surge in inflation and interest rates. The Watergate scandal became a full-blown crisis that led to President Nixon's resignation in 1974. The Nifty Fifty, in the words of a Forbes columnist at the time, "were taken out and shot one by one." From their respective highs, Coca-Cola fell -69%, Xerox -71%, McDonald's -72%, Avon -86%, Disney -87% and Polaroid -91%. Between 1973 and 1977, the Nifty Fifty stocks underperformed in aggregate, posting an average annual return of -4.4%, while the broader market was up +2.5%.

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- **The BRICs:** In 2001, Goldman Sachs economist Jim O'Neill coined the term BRIC to describe the economic potential of Brazil, Russia, India, and China, four countries he argued would dominate the global economy for the next century. The thesis was backed by compelling demographic and GDP growth data. "It is very important for me to emphasize, being Mr. BRIC, that I created the BRIC as an economic concept, not as an investment theme," he told Reuters in 2014. Regardless, the acronym caught fire and led to a large inflow to emerging market funds with a high allocation to the BRICs. After the initial craze, two of the four countries went through serious problems. Brazil, which was supposed to be a commodity-powered juggernaut, stumbled through political corruption and low productivity growth for years. Russia's economy remained structurally dependent on energy exports, suffered from weak corporate governance, and was eventually rendered uninvestable for most Western portfolios after the Ukraine invasion in 2022. Even O'Neill acknowledged that Brazil and Russia had been "very disappointing," joking that perhaps he should have called the concept the "ICs."
- **The FANGs:** It started as the FANG trade in 2013, which was coined by CNBC pundit Jim Cramer to highlight Facebook, Amazon, Netflix, and Google as the market leaders. Apple was added in 2017, creating FAANG. Netflix, which was central to the original FANG thesis, was quietly dropped as its growth cooled. Microsoft, initially excluded, was eventually promoted. When Facebook rebranded as Meta in 2021, Cramer proposed MAMAA (Meta, Apple, Microsoft, Amazon, Alphabet) but that did not catch. The space eventually rebranded as the Magnificent Seven in 2023.

Why do these specific themes catch fire and capture so much investor attention? One must delve into investor psychology and identifiable cognitive biases to fully understand the reasons:

- **Narrative Fallacy:** The global investment landscape can be overwhelming. There are thousands of stocks, hundreds of countries, multiple macroeconomic data points, and geopolitical issues that must be considered before making an investment decision. An acronym or theme can take that complexity and reduce it to a very seductive simplicity. Our brains are hard-wired to prefer simple narratives over complicated truths. Nobel Laureate Daniel Kahneman described the [fallacy](#) in his book *Thinking Fast And Slow*, as "what you see is all there is" i.e. we build confident stories from limited information and mistake the coherence of the story for evidence of its truth.
- **Confirmation Bias:** Once we've internalized a story, we engage in confirmation bias, which is actively seeking evidence that supports the theme while unconsciously dismissing evidence that contradicts it. When worries about AI profitability first came up in early 2025, it was dismissed quickly by market pundits.
- **The Bandwagon Effect:** When investors allocate to a theme because everyone else is doing it. Another acronym, FOMO (Fear Of Missing Out), is also relevant here. As investors see the crowd making money on a theme, they naturally want to hitch themselves to the bandwagon.
- **The Hot Hand Fallacy:** When a basketball player makes multiple shots in a row, he or she is referred to as having a "hot hand", with high expectations from the crowd for the next shot going into the basket. The "[hot hand fallacy](#)" is a cognitive bias where the same future outcome of an event is expected due to the continued success of past outcomes, regardless of the odds. Due to two straight years of outsized returns in 2023 and 2024 driven by the Magnificent Seven, investors were expecting another year of the "hot hand" in 2025. Assets kept going into the theme even as worries increased about capital expenditure spending and high debt levels.

How do investors avoid these cognitive biases? The first step is to identify the pattern. A respected institution, economist, or pundit will identify a valid observation i.e. these countries have young populations, these tech companies are growing fast, etc. This observation then gets compressed into an identifiable acronym. The acronym then gets advertised and turned into various products by Wall Street. Capital flows come into these products based on the ease of investing into the theme, and not on the granular fundamental analysis that real long-term investing requires.

The next step is to focus on valuation i.e. what exactly are you paying for the theme? All these themes eventually reached a point of over-valuation and a willingness for some investors to get in at any price, regardless of risk. Once a theme blows past its historical averages, it is important to ascertain how much future growth is already baked into the current price.

The final step is patience. What is common among these themes are they eventually do work out in some form. Much of the Nifty Fifty are still around today. India and China were fantastic investment opportunities when the BRIC acronym first came out and may still be for years to come. There will be some long-term winners in the Magnificent Seven as well, but for those who recall the movie, four of the seven cowboys did not make it out of the final battle.



The Trump Account in Context: Where It Fits in a Family's Financial Plan

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The One Big Beautiful Bill Act (OBBBA) was signed into law by President Donald Trump on July 4, 2025. With this bill came the creation of the Section 530A accounts, also known as “Trump Accounts”, tax-advantaged investment accounts designed for children. While the name has drawn attention, the question becomes whether this account is worth utilizing as a part of ongoing planning.

Trump Accounts are intended to help support long-term financial security for U.S. children. Any family with a child under age 18 can establish an account. In addition, children born between 2025 and 2028 are eligible for a one-time \$1,000 contribution from the U.S. Department of the Treasury, with no contribution required from the parents, subject to citizenship and qualifying-child requirements and a proper election.

If you had a baby in 2025, you can elect to open a Trump Account for an eligible child when filing your tax return using IRS Form 4547. The 2025 tax filing season is the first time this form can be submitted. In addition, there are also plans for an online portal, expected to be live by the summer of 2026, that would allow families to open accounts directly and may be the more seamless route to go rather than dealing with tax forms.

The Trump Account shares several characteristics with a Traditional IRA, but is designed specifically for children under age 18. The account balance grows tax-deferred and must be invested in low cost mutual funds or ETFs tracking U.S. indices.

Contributions beyond the initial \$1,000 may begin on July 4, 2026, and are capped at \$5,000 per year, adjusted annually for inflation after 2027. Contributions must be made by December 31 each year and are not tax-deductible. No distributions may be taken until January 1st of the year the child reaches age 18, subject to limited exceptions described in IRS guidance. After that point, any distributions of growth will be taxable as income and any return of contribution or basis will be non-taxable (withdrawal of government contribution and certain employer contributions are taxable). As with traditional IRAs, early withdrawals prior to age 59½ are generally subject to a 10% penalty, with limited exceptions.

Once a child begins earning income, they may also make contributions to their own Trump Account. These contributions are not tax-deductible.

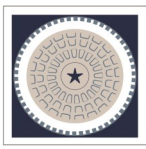
Employers may incorporate Trump Accounts into their employee benefits programs in two ways. First, an employer can contribute directly to an employee's child's Trump Account, with up to \$2,500 of contributions being tax-deductible to the company and excluded from the employee's income. Second, employers may offer a salary reduction program that allows employees to make ongoing pre-tax payroll contributions to Trump Accounts. Contributions made either of these ways do count towards the \$5,000 annual limit, though the \$1,000 from the government does not. Any pre-tax contributions made will be fully taxable when distributed from the account.

It is also important to note that while the account remains under parental control until the child turns 18, full control transfers to the child at that point, allowing them to use the funds as they see fit.

The Trump Account is another tool available to help save and invest for a child's future. As we prepare to welcome our first child, this is one of several planning decisions my wife and I are considering. Like many families, our conclusion is that the Trump Account can be useful in specific situations—but it shouldn't automatically replace other planning tools.

Below are a few general guidelines to consider before funding a Trump Account:

1. If you have a child born between 2025 and 2028 and are eligible for the \$1,000 government contribution, it generally makes sense to open the account and receive the available funds. Based on historical S&P 500 returns, that initial contribution alone could grow to approximately \$5,800 by the time the child turns 18.
2. If your employer offers contributions to a Trump Account for your child, it makes sense to take advantage of this benefit. As with any employer contribution, this is effectively free money.
3. If neither of the above applies, other savings vehicles may be more effective. Accounts such as 529 plans for education savings can offer additional tax advantages and flexibility beyond the Trump Account. Additionally, once a child begins earning income, contributing to a Roth IRA may provide more favorable long-term tax benefits.



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The Goodman Report

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Focus on Philanthropy - *Doing Good Things for Good People*

Since our founding in 1989, philanthropy and giving back has been a cornerstone of Goodman Financial. We proudly live by our motto, **“Doing Good Things for Good People.”**

For many years, one of our most meaningful traditions has been our annual Thanksgiving Charity Grants. Each team member is given a \$1,000 grant, funded by the firm, to donate to a charity of their choice. What began as a simple idea has grown into a collective commitment to serving others.

Every Thanksgiving, our team gathers to share the organizations they have selected, learning about causes that matter deeply to one another. This tradition not only strengthens our culture, but also extends our impact across local, national, and international communities.

This past November, we were proud to continue that legacy by donating a total of \$25,000 to nonprofit organizations. As we reflect on all we are grateful for, we remain committed to carrying forward our tradition of giving - continuing to do good things for good people for many years to come.

