Stocks Hindsight Selection Bias Warning: The caution message below is posted on the Strategy Hall of Fame page on the Stocks category tab and pops up when hovering over the **Why You Must Be Cautious!** button. A real example of the problem follows below.

> **Stock Strategy Caution!**
> Sectors and asset classes rotate with the economy. Their constituent member stocks are always added and purged automatically as new companies are born or die. Thus sector and asset class strategies can live forever, but stock strategies require occasional freshening — which is a manual process.
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> Please also be cautious about your interpretation of the amazing performance these stock strategies show. Critically, these stocks were picked with the vision of hindsight, allowing the owner to select a set of stocks that sequentially produce nice waves of high returns which the SectorSurfer algorithm nicely stitches together. The bad news is that MSFT, DELL, QCOM, and many other stocks in these high flyer strategies add no future performance value to these strategies — they only make the earlier portions of the charts look great. The good news is that if you can provide SectorSurfer with an excellent set of candidates, it will assemble them.

The strategy below is the poster child for the stocks hindsight selection bias problem. A wealth manager impressed by the strategy's prior performance invests with the strategy in the fall of 2013. In January of 2015, he was dismayed by its performance. In the zoomed overlay chart, the gray plots of the stocks reveal there's no longer a "rising star" among them. They are all simply undulating sideways with no sign of leadership present. This "fizzled rising star" problem is unique to stocks. It doesn't exist in ETFs or mutual funds.