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Three Steps to Better Investing

Advice on selecting mutual funds, listening to CEOs, and considering climate change, courtesy of Texas McCombs research.




If you're looking to make better investment decisions, it's a good idea to listen to the experts. And who's more of an expert than a business researcher who studies investing and the stock market.

With that in mind, consider applying these practical research findings from Texas McCombs to your investments:



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Seek low taxes on mutual funds. A study by finance professor [Clemens Sialm](#) showed that funds with lower tax burdens had higher-than-average returns. That's why Sialm urges fund shoppers to look beyond past performance and check out taxes as well. "You have to dig deeper in the prospectus, but the information is there," he says. Research websites such as Morningstar can help. They list the taxable distributions along with the performance of a fund.

Bet on big-talking CEOs. When executives use extreme language on quarterly earnings calls — words such as "astonishing," "incredible," and "exceptional" — it can benefit capital markets, according to research from accounting professor [Jeff Hales](#). For executives who speak in superlatives, their words can produce a stronger reaction in stock prices, increased trading volume, and adjusted analyst forecasts. CEO language can even foreshadow a company's future earnings.

Concerned about climate change? So are institutional investors. From banks and insurers to pension and mutual funds, 97% of respondents to a first-ever survey of institutional investors recognize that global temperatures are rising. More than half say climate risks are already playing a role in their investment decisions. "These investors have accepted that climate change is happening," says finance professor [Laura Starks](#), who designed the survey with colleagues. "They're trying to come to terms with how it's going to affect the risk and return of their portfolios."


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