Is the Motley Fool® for Real?

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The Motley Fool (MF - https://www.fool.com/) started a stock-picking service called The Advisor back in 2002. In recent years they have added other premium services, but their flagship product is The Advisor. This paper will be doing a performance analysis on just this one service.

The Advisor is sold on a yearly subscription at a current price of $200 per year. It has advertised a phenomenal rate of return since its inception in 2002 – almost 800% better than the S&P 500 as of the date of this study (January 2026). In recent years however, those results aren't as rosy. In fact, since February of 2017[1], their results trail that of the S&P 500. That's almost 9 years now where they've provided little value to their customers. In defense of MF, the last 9 years has been a good period for the S&P 500 returning 12% annually and is a tough standard to beat. But before 2017, the MF beat the S&P 500 consistently. So, what has changed? I don't necessarily have the answer, but maybe they are putting more focus on their premium (more profitable?) services and have left The Advisor to the B-Team? The MF only touts their overall performance since 2002 while ignoring other periods. In this paper, a more complete study will be done.

The way The Advisor works is that it makes 2 "buy" recommendations per month for a total of 24 picks per year (at least that's been the case in recent history -- in some years the number of recommendations per month is a little less indicating there may have been a different schedule at that time). They record those recommendations on what they call their "Scorecard" (or "held positions" list) and this data is freely downloadable to paid subscribers[2]. In addition to their "buy" recommendations, they also make "sell" recommendations. This happens when a company falls out of favor, or the stock is no longer public (thru acquisition or whatever). This list is called the "Closed Position" list. When a position is closed, it is removed from the Scorecard (or held list). Unfortunately, not all the pertinent data is provided for the closed positions. It lists the date when the position was closed, the purchase price, and its total return. but it does not list the purchase date and sales price. The sales price can be derived from the purchase price and the return rate, but capturing the exact purchase date is not always possible. That leaves a problem when comparing against the S&P 500. If the purchase date is not known, there is no way to measure the S&P 500 over the same period. On some closed positions, the MF may mention the purchase date in their closing report. On other positions, they may only give a clue (e.g., "6 years ago this month, we originally recommended to purchase this stock, but now it's fallen out of favor…"). For other positions, there were no clues at all. In those cases, an educated guess was made for the purchase date. While there may be discrepancies on the exact purchase date, the end

[1] In January of 2017, the MF made 2 excellent recommendations. After that, it has been very mundane. February of 2017 seems to be the inflexion point from their early phenomenal performance to very average results since.

[2] This study will not expose any specific MF recommendations to abide by the terms of the membership agreement. However, the reporting on their performance does not violate the agreement.

results seem to line up closely with the published rate of return that that MF advertises. In fact, my calculations show a slightly higher rate of return, so I think the estimates are fair and valid (e.g., the MF advertises an overall rate of return of 970% whereas this study has calculated slightly over 1000% as of the date of this paper).

Comparing the MF results against the S&P 500 is straight forward. The price of both the recommended stock & the S&P 500[3] are captured at the time of purchase along with the current quote and the return rates. For example, let's say the MF suggested buying IBM on June 1st of 2020 at an adjusted close price of 91.33 and the current price is 302.72. This would be a return of 231%. The S&P 500 (using "SPY") was at 285.48 & 689.51 on those two dates for a return of 142%. In this case, IBM beat the S&P 500 by 89%. The same is done for all entries in the held position list and the average is used for comparison. For the stocks on the Held Position list, the Adjusted Close Price is used to account for dividends. Because of this, the purchase price changes over time as dividends are accounted for. This is a very dynamic calculation as current stock prices vary on a daily basis, and historical prices vary as dividends are paid out. This means the comparison results of the held positions will change over time. To complete the picture, performance of the Closed Positions list also needs to be considered. The buy & sell price of the Closed Positions are managed differently because the closing price and purchase price are determined at the date of sale. This data is static and the comparative performance does not vary. Then, the performance of both the Held Positions & the Closed Positions are combined to come up with an overall return.

In the table below, two different periods are analyzed. The "Early Days' is the period where the Motley Fool did exceptionally well (from its inception until February of 2017), greatly outperforming the S&P. On the other hand, from February of 2017 until January of 2026, the Motley Fool underperformed the S&P.

	Early Days 3/2002-2/2017	Recent Years 2/2017-1/2026	Overall 3/2002-1/2026
Motley Fool	1680%	78%	1020%
S&P 500	260%	98%	190%
Difference	1420%	-20%	830%

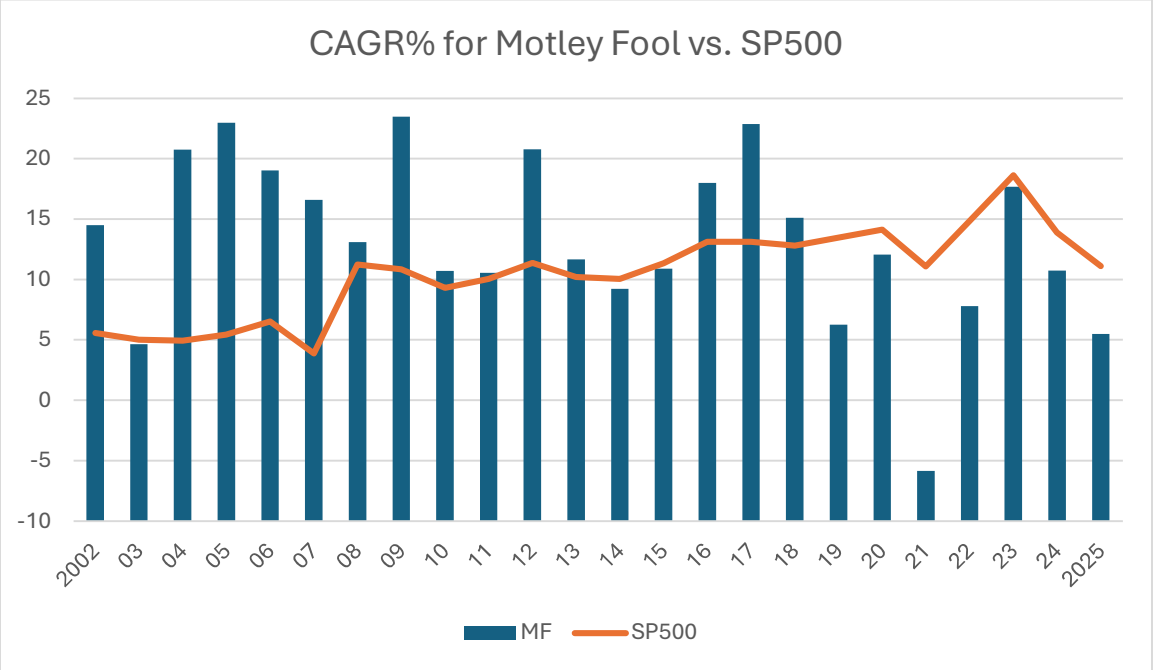
In the comparison above, the percentage gain is used to compare the MF against the S&P 500. In looking at these numbers, you may suspect something is amiss with the S&P 500 results. For example, in the Recent Years (2017-2026) the table shows the S&P gaining 98%. However, looking at the historical record, the S&P has gone from roughly 200 to 680 for a 240% gain. Why the difference? There are 2 reasons:

1) Compounding & Time
    - An investment made initially compounds more than the same investment made over periodic intervals
2) Sequence of returns
    - Anytime deposits or withdrawals are made over time, "sequence of returns" can affect the average returns positively or negatively. See this for more info.

Using the percentage gain is okay for a head-to-head comparison. However, it does not measure the yearly performance because it doesn't take time into consideration (for example, a 200% gain over a 5-

[3] To track the S&P 500 the stock ticker SPY was used

year period is an annual rate of ~22%, where as a 200% gain over 20 years is only ~5.5%). Instead of using percentage gain, the Compound Annual Growth Rate (CAGR) will be used in the next chart. The recommended picks for each year will be analyzed and extended out to the current date and the CAGR will be calculated over that period. For example, in 2012 there were 24 recommendations. 11 of those are still on the held list while 13 were closed out at some point. If $1000 of each stock was purchased, that $24,000 would have grown to about $337k in today's dollars for a CAGR of roughly 20%. Comparatively, when doing the same thing for the S&P 500 the CAGR was about 10.7%. This will be done for each individual year, and the comparison is shown in graphical form.



This graph tells two different stories. From 2002 until 2018, the Motley Fool Advisor beat the S&P 500 in 14 of 17 years. Not only that, the MF yearly average was an impressive 15.6% versus the S&P at 9.1%[4]. However, the years between 2019 and 2025 tell a different story. The S&P 500 beat the MF in each of those years, leaving the MF with a seven-year losing streak. During those seven years the S&P's average return is almost 14% whereas the MF has averaged a little less than 8%. It would be interesting to get Motley Fool's take on why there seems to be such a dramatic turn since 2018.

In summary, there is no denying the Motley Fool's Advisor Service has had an impressive record since its inception. However, that is strongly weighted by their early years. In recent years, performance has tailed off. Any member that purchased a subscription and followed their recommendations after February of 2017 will have lost out to the S&P 500. In addition, subscription fees need to be considered. If $100 is invested on each recommendation for a total of $2400 and the subscription cost is $200 for

[4] The return rates in the earlier years may seem low. That is because there are more "closed positions" early in the study. When a stock comes off the closed list, it just sits there and makes zero return. In practice, those funds would probably be invested elsewhere to improve overall returns. This seems fair, though, because it's the same for both the MF & S&P.

the subscription, that is an 8.3% yearly fee! If the investment is increased to $1000 per stock that lowers the percentage to a more reasonable 0.83%, but it's still something to keep in mind. For those members that joined in the early years, the annual fee is not a big deal because of the overall growth. However, for recent members, it adds to the pain.

In my opinion, the era of the Motley Fool has come and gone. It had a great ride, but it doesn't seem worth waiting for a comeback. With expense ratios for most ETFs close to zero, why pay for a service that is on a 7-year losing streak?

This paper was written by Craig Pedersen, creator of The DoubleBucket® Method. Please see the following links for more info:

- The Author
- General Info on the DoubleBucket® Method
- Additional Goodies