

It's only a point: Lessons on investing from tennis great Roger Federer

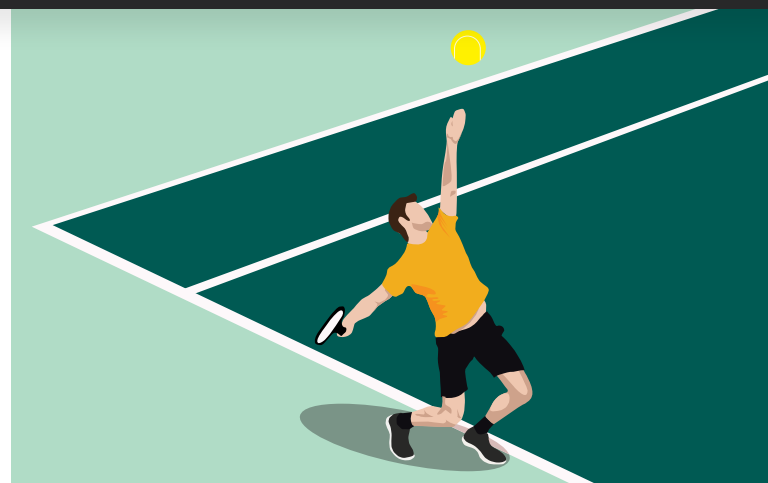
"In tennis, perfection is impossible. In the 1,526 singles matches I played in my career, I won almost 80% of those matches. Now, I have a question for all of you: What percentage of the POINTS do you think I won in those matches? Only 54%. In other words, even top-ranked tennis players win barely more than half of the points they play."

—Tennis great Roger Federer, winner of 20 Grand Slam singles titles, 103 ATP Tour tournaments, and ranked as the world's No. 1 player for a record 310 weeks, in a June 2024 commencement speech.

Federer went on to say that losing almost every other point taught him not to dwell on every shot, and to learn, whether it's a double-fault or an overhead backhand smash that lands him on ESPN's *Top Ten Plays*, "It's only a point." Then he explained his larger point: "Here's why I am telling you this," he said. "When you're playing a point, it is the most important thing in the world. But when it's behind you, it's behind you. This mindset is really crucial, because it frees you to fully commit to the next point ... and the next one after that ... with intensity, clarity, and focus."

This mindset isn't just powerful in tennis, sports, or life—it's essential in investing, which, like tennis, is a game of probabilities, not perfection. Even the most successful investors don't get every decision right. What separates long-term winners from the rest isn't their ability to make predictions or time the market, which is essentially impossible. It's their ability to stick to a process, manage risk, stay disciplined, cut losses when needed, and control their emotions through the market's inevitable ups and downs.

Federer said that most of the time, talent is less about having a gift and more about having grit. "In tennis, a great forehand with sick racquet head speed can be called a talent," he said. "But in tennis, like in life, discipline is also a talent. And so is patience. Trusting yourself is a talent. Embracing the process and loving the process is a talent."



If you're not a tennis fan, this analogy works well in other sports. Steph Curry, considered the NBA's greatest shooter, has a 42.3% shooting percentage from three-point land. He misses more than half of those shots, and when he does, he moves on to the next play: He shoots again. In baseball, the greatest players are measured by a .300 batting average, or failing 70% of the time. The ones who do hit .300—and there are only three active players with a .300-or-better average¹ (as of June 20, 2025)—are the ones that stick to their process, day after day, year after year. They are, like great investors, disciplined.

The Process

The best athletes don't just jump into a game or match, then improvise. They train, observe, and use years of experience to develop a game plan, one they can adjust and tweak as needed during the contest. It's a perfect analogy for a well-thought-out investing process: It should address your goals, your risk tolerance, and your timeframe. You should be able to understand it, what it's designed to do (and not do), and what you own.

Any solid strategy should include risk management* as a critical, integral, and explicit part of every step of investing. Risk is inherent in investing, and there's no way to eliminate it. Rather, one can reduce the long-term impact of losses by managing risk.

A bad investment, after all, is "just a point." There's always another one to win. A solid process can help reduce stress when markets decline and helps maintain focus on long-term investment goals. Developing and sticking to your process doesn't mean you'll win every point. Any process can produce short-term losses.

*Risk management does not imply low or no risk. Investing involves risk, including the possible loss of principal.

But the right process, one that can be adjusted and tweaked when necessary, will give you a great chance to win matches and even tournaments. It allows you to...

Be Disciplined

Markets are unpredictable, although history shows that they tend to move in full cycles of seven to 10 years, with a bear market, a recovery, and a bull market. Some strategies perform better during rallies, while others add value during downturns.

Greed and fear, along with a host of other emotions, rise to the surface as markets move up and down. These emotions can drive a temptation to chase trends or time the market, which tends to lead to bad decisions. Disposition bias, the common tendency to avoid selling stocks at a loss or to sell stocks that have increased in value too early, is just one of many built-in biases studied by behavioral scientists.

Discipline, borne from trusting the process, can help investors resist those urges and stay on course during periods of volatility, whether up or down. That doesn't mean it's easy to do. After all, it takes patience and trust to stick to the process.

Win With Defense

Great athletes attack the game, but they also know when—and how—to play defense. Federer was known as an offensive player, but he was equally great at defense. He famously used his exceptional anticipation, quick reflexes, and strategic shot selection to turn defense into offense. He didn't dominate by hitting winners on every point, but by making fewer unforced errors.

That, too, parallels nicely with investing, and with managing risk. At NewSquare Capital, in all of our models, defense is an important component in how we view markets and manage portfolios. We have portfolios that aim for growth and income over full market cycles, by aggressively emphasizing areas of high market demand, but also shifting to a defensive posture when the market calls for it.

Manage Your Emotions

Investing is an emotional rollercoaster. Markets soar and crash. Headlines scream. Social media amplifies every swing. Without emotional control, even the best strategy can fall apart.

Great athletes—and investors—know how to handle setbacks and periods of disappointment. They lose a match or a set. They watch their portfolio dip with the markets. They hit a bad golf shot, or live through a hitting slump in baseball. But over a course of several

years, or a full market cycle, they end up being top performers over the long run. They believe that their process is going to get them through those struggles.

At NewSquare, we provide not just a process, but also perspective, structure, and support, to help our clients process and manage their emotions. We use a process, based on facts and objective data, and we stay above the daily noise of headlines and pundits.

As Federer said toward the end of his speech, “The best in the world are not the best because they win every point. It's because they know they'll lose, again and again, and have learned how to deal with it.” The best investors also know they will lose at times, and they're able to deal with that while keeping their emotions in check.

Market Review

The S&P 500® Index advanced in the second quarter of 2025, bouncing back from a first-quarter decline to register its seventh quarterly gain in the last two years. The U.S. stock gauge modestly underperformed global, developed, and emerging markets indexes. European stocks benefited from June interest-rate cuts by the European Central Bank, while Chinese government stimulus, including rate cuts, helped drive gains in Asia.

The U.S. market continued to react to short-term policy announcements and global news. While economic and corporate earnings data largely remained strong, uncertainty around tariffs, geopolitical crises, and the Trump administration's One Big Beautiful Bill Act drove concerns about forthcoming issues, including inflation, which remained tame during the period.

U.S. gross domestic product declined by 0.3% in the first quarter of 2025, according to the Commerce Department, the first contraction since the first quarter of 2022. Economists had expected 0.4% growth. The pace of consumer spending slowed, and federal government spending fell amid cuts by the Department of Government Efficiency. Imports surged as companies increased inventory ahead of tariff impacts, which weighed on GDP growth.

The Fed once again held the federal funds rate at a target range of 4.25% to 4.50% at its May and June meetings, after reducing the rate three times in late 2024.

Trump's early-April “Liberation Day” announcement of tariffs on much of the world raised fears of a recession and weighed heavily on stocks, but the U.S. market largely recovered in April as Trump eliminated some tariffs on electronic products, paused many

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“reciprocal” tariffs for 90 days, and indicated a willingness to engage in trade negotiations. In May and June, stocks broadly rallied amid reduced tariff tensions, as the U.S. and China came to a temporary trade agreement.

U.S. bond markets were essentially flat during a volatile quarter, as yields on two- and 10-year USTs fell in April, rose in May, and declined in June. Bond markets seem to be in a holding pattern amid heightened uncertainty, as well as some reduction in demand, given hopes for higher compensation. Likewise, investment-grade bonds outperformed their high-yield counterparts in April and June, but lower-quality sectors ruled in May.

Commodities markets saw periods of heavy volatility and widely mixed returns across sectors, with broad commodity indexes falling sharply after Liberation Day, before climbing back to finish the quarter modestly higher (up about 5% year-to-date). Oil prices, which declined to multi-year lows in April and early May, rose sharply in June amid concerns about wars in the Middle East. Gold continued its lengthy rally, rising to finish near all-time highs. Copper prices—viewed as an indicator of global economic health—declined modestly during the quarter.

¹https://www.baseball-reference.com/leaders/batting_avg_active.shtml

Indexes referenced:

The S&P 500® index is widely regarded as the best single gauge of large-cap US equities. The Index includes 500 leading companies and covers approximately 80% of available market capitalization.

Additional statistical data sourced from: Bloomberg Finance, LPL Research, Morningstar, and NewSquare Capital, LLC.

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