

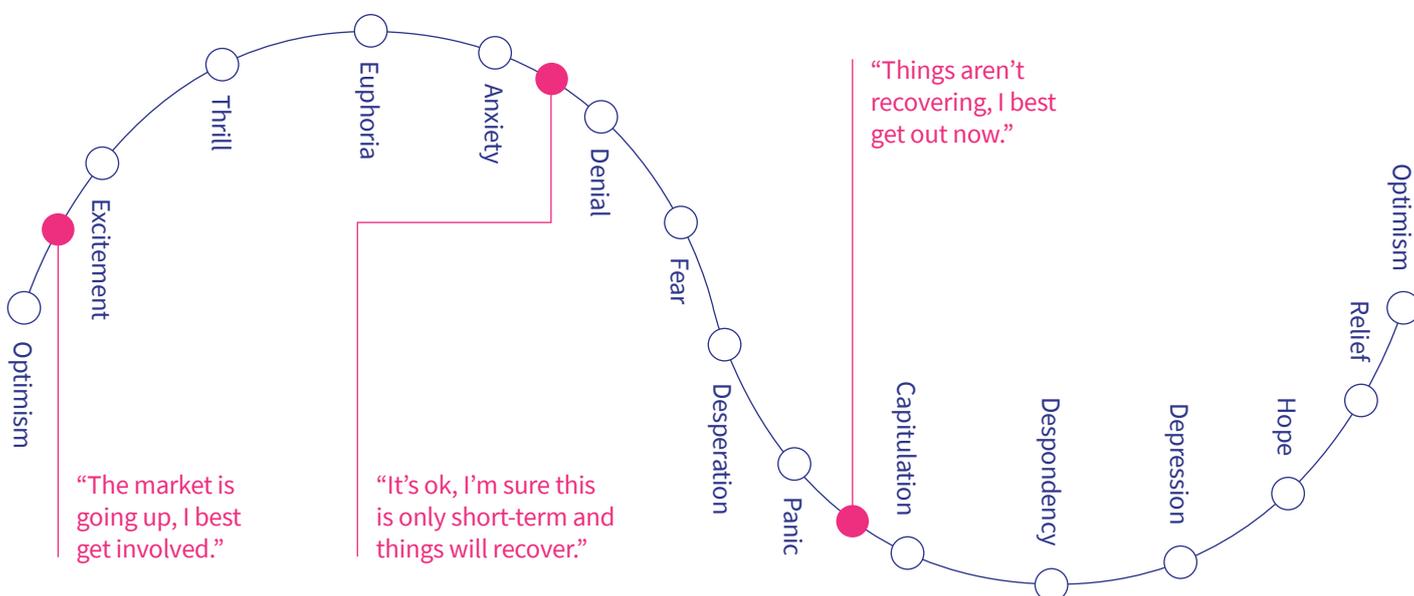
The emotions behind investing

I'm an investor. Get me out of here!

As individuals, we each have a unique approach to investing. Yet many of us are unaware of how our behaviour and our biases can affect our financial goals.

In times of distress, we can all too easily let our emotions get the better of us, allowing impulse to drive our choices over practical reasoning and discipline. The choices we make and the action we take in these decisive moments can shape our financial future for years to come.

Dependent upon whether markets are rising or falling, we have a range of emotions that affect our decision making (and investment returns as a consequence). More prominent when markets are falling, we make short-term trade-offs between immediate emotional comfort and long-term returns, oftentimes sacrificing the latter for the former. It can force us to buy and sell at the wrong time and miss the recovery. Numerous studies have proved that it's time in the market that matters, not timing the market. You are better off spending time in the market and embracing the ups and downs and remaining invested in spite of them. That way you won't lose out on the opportunities when they arise.



The emotional and behavioural journey

When markets are rising, we are optimistic and keen to invest.

As markets begin to fall, we remain optimistic in the short-term and assume this is merely a blip.

As these falls continue, we can turn to denial and panic as we see our portfolio value decline alongside our mood and expectations. As a result, it's common for investors to sell

when prices are low – a response that proves detrimental to the long-term performance of an investment portfolio. This highlights the need and importance of a long-term plan to stick to when times get tough.

Remaining invested through these volatile periods is tough, going against many of our most basic instincts. Tough, but worth it. Embrace the ups and downs, buy in spite of them, and seize every opportunity you can.

IMPORTANT INFORMATION

Past performance is not a guide for future performance. The value of investments, and the income from them, can fall as well as rise. You should not rely on this information in making an investment decision and it does not constitute a recommendation or advice in the selection of an investment.